AR22

CUSTOMERSERVICEINNOVATION

PLANNINGFLEXIBILITYPRODUCTS

STRATEGICRENEWALCHALLENGES

VISIONJOINTVENTURESMISSION

REORGANIZATIONTECHNOLOGY

COMPETITIVEOPPORTUNITYVALUE

BC TEL ANNUAL REPORT 1992 THE SPEED OF CHANGE

LEADERSHIPGROWTHSTRATEGY

COMMITMENTKNOWLEDGESPIRIT

CREATIVITYEXPERIENCEPRIDE

EFFECTIVETELECOMMUNICATIONS

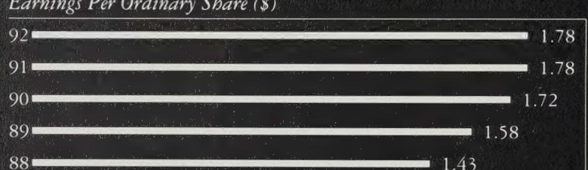
INITIATIVESALLIANCESPEOPLE

EFFICIENTQUALITYSOLUTIONS

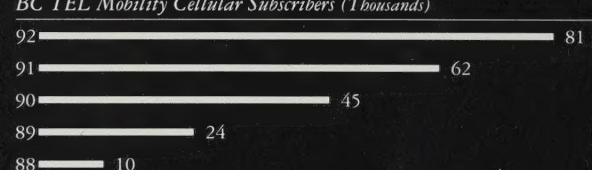
BC TEL is the second largest telecommunications company in Canada. Organized into three core business groups supported by a solid base of shared resources, the Company is committed to satisfying customer needs and enhancing shareholder value. Our mission: we make it easy for people to exchange information – anywhere, anytime – by devising imaginative telecommunications solutions that are economic and exceed customer expectations.

	1992	*1991*	*% Change*
Consolidated Highlights			
Operating revenues *($ Millions)*	$ 2,037.2	$ 1,935.8	5.2%
Net earnings *($ Millions)*	$ 205.7	$ 201.0	2.3%
Ordinary share earnings *($ Millions)*	$ 196.7	$ 191.2	2.9%
Return on ordinary equity	13.0%	13.8%	(5.8%)
Earnings per share	$ 1.78	$ 1.78	—
Dividends per share	$ 1.15	$ 1.10	4.5%
Ordinary equity per share	$ 14.22	$ 13.42	6.0%
Capital expenditures, gross *($ Millions)*	$ 455.5	$ 459.2	(.8%)
Customer access lines in service	2,079,882	1,988,103	4.6%
Long distance messages *(Millions)*	424.4	394.4	7.6%
BC TEL Mobility Cellular Highlights			
Cellular subscribers	81,344	62,289	30.6%
Penetration rate	3.1%	2.6%	19.2%
Estimated market share	56%	56%	—
Average monthly revenue per subscriber	$ 92	$ 95	(3.2%)
Cash flow margin	45.7%	42.4%	7.8%
Net earnings *($ Millions)*	$ 10.4	$ 6.1	70.5%
Return on equity	28.3%	24.0%	17.9%
Gross plant in service per subscriber	$ 1,479	$ 1,534	(3.6%)
Monthly deactivations *(churn rate)*	1.6%	1.8%	(11.1%)

Earnings Per Ordinary Share ($)



BC TEL Mobility Cellular Subscribers (Thousands)



This 1992 annual report could best be described as a report on our first full year of strategic renewal. We initiated strategic renewal during 1991 in response to the changing, dynamic world in which we operate. We saw the need to match the speed of change within BC TEL with the speed of change around us.

It has proven to be precisely the right strategy at the right time.

In the past year, we have seen compelling evidence of the speed of change around us – the most significant being the CRTC decision to allow increased long distance competition in Canada, and in early 1993, the alliance of Unitel Communications and AT&T.

Our response to the challenges – and opportunities – posed by such fundamental changes in our industry is reflected in our strategic thrusts:

□ drive down costs so we can afford to continue to reduce our long distance prices;

□ identify new sources of revenue;

□ form alliances to be more competitive and customer-focused;

□ fight for fair and responsive regulation.

Evidence of these strategic thrusts is to be found throughout this annual report and, more importantly, throughout our daily operations. Changing the way we have traditionally done business is not easy. It is not accomplished overnight. But we are proud of the strides taken during our first year of strategic renewal.

Financial Results

Despite increasing competition and the prevailing economic conditions in Canada, operating revenues increased by 5.2 percent, while expenses rose 4.6 percent (which reflects the impact of the new corporation capital tax and higher depreciation expense). Net earnings showed a 2.3 percent growth and earnings per share remained at the 1991 level of $1.78.

BC TEL Mobility Cellular Inc., which we proudly note has the distinction of being the first profitable cellular company in North America, continued to show strong growth in 1992 with a 31 percent increase in its customer base. Today, it has 56 percent of the British Columbia cellular market. The company reported a solid financial performance in 1992, recording a 70 percent increase in net earnings and an 18 percent increase in return on equity, and contributing $10 million to BC TEL's overall net earnings.

Productivity Gains

We are not only investing in the right technologies; we are also aggressively attacking our cost base. Last year, we took deliberate steps to constrain overall operating costs and reduce the workforce by 3.3 percent, while maintaining our service levels to customers. We will continue such measures in 1993. We will also implement new ways to improve productivity – by re-engineering our processes and systems, and by adopting competitive improvement measures.

Efforts like this make us confident that we are on course to achieve the strategic goal we set in 1991 to improve our productivity by 35 percent by 1996.

Such productivity improvements mean we can afford to offer customers lower long distance prices. In 1992, for example, we reduced long distance charges for the tenth time in five years, cutting prices for calls to the United States by

two percent, and calls within Canada (excluding B.C.) by four percent. We are pleased to say that these reductions mean overall rates have fallen by 38 percent since 1987.

New Revenue Sources

We continued adapting our products and services to meet – and anticipate – the evolving needs of our customers. The redesign of such services as WATS, 800 Service and Advantage provided lower costs and greater flexibility to more business customers than ever before. In addition, we expanded our Between Friends consumer discount plan to include overseas calls at lower long distance rates.

However, we recognize that our evolving business environment requires that we do more than simply improve core services. Increasingly, we are anticipating and meeting customer demands through such advanced technologies as broadband, wireless personal communications, and electronic data interchange.

Also in 1992, we asserted our position in the field of emerging business services, launching several new businesses in response to market demand. Many of these new businesses are mentioned in the Operations Highlights and Review sections of this annual report.

Alliances

Joint ventures, partnerships and other alliance arrangements are becoming a principal way of doing business, especially in this era of global competition. Canada's major telephone companies have already pooled a significant portion of their engineering, research and development, and marketing resources into the Stentor alliance. This will greatly reduce costs, improve efficiency, and increase the speed of bringing new products and services to market.

Through Stentor, we have also formed an alliance with the U.S. telecommunications giant, MCI Communications Corporation. As the acknowledged leader in advanced intelligent networks, MCI provides an excellent technology platform upon which to build future growth. Working with MCI, we will lead the way with innovative pricing packages and will introduce a growing range of such advanced intelligent network services as virtual corporate networks, enhanced 800 Services, ISDN, and area wide centrex, to name but a few.

We are in the process of bringing together, as swiftly and seamlessly as possible, the strengths of MCI and Stentor in order to take advantage of significant market opportunities that lie ahead.

The formation of Mobility Canada – a national alliance of the major telephone companies' wireless operations, including BC TEL Mobility – is another strategically important move. Mobility Canada will accelerate the introduction of new mobile communications services, to be delivered on a national basis.

In support of the national licence awarded to Mobility Canada in December, BC TEL Mobility plans to introduce Personal Cordless Telephone service, which will enable customers to place and receive calls from home, work and public locations using a pocket-sized digital handset. By 1998, we expect there will be more than 400,000 personal cordless handsets in operation within B.C.

At the provincial level, a consortium of telecommunications companies made a success-

ful bid to build an integrated backbone network for inter-office and inter-agency communications for the provincial government. Provincial authorities specifically noted that the combination of strengths in this BC TEL-led consortium had been a determining factor in its decision to award the contract.

Regulatory Environment

On the regulatory front, we are taking a leading role in fighting for the same degree of regulatory freedom as our competitors currently enjoy. We are also pressing for changes to the requirement that we subsidize our competitors, including the Unitel-AT&T alliance.

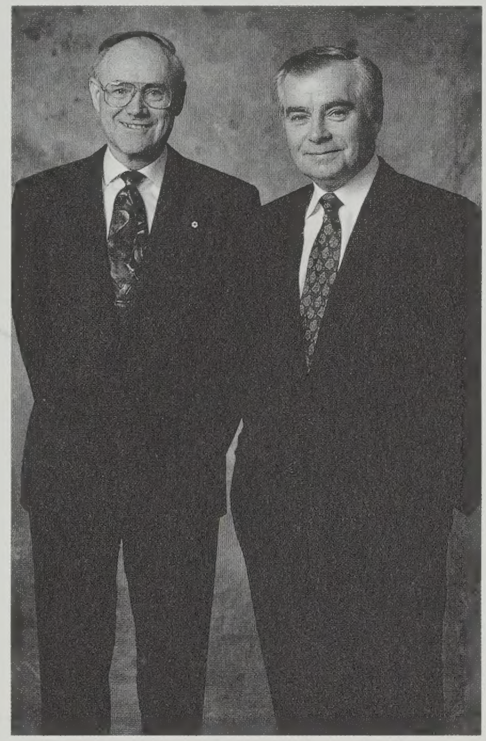
We are seeking modernization of Canada's telecommunications laws to reflect the realities of global competition. Currently, we are governed by legislation that dates back to 1908.

Also, we will be actively participating in a CRTC proceeding scheduled for November 1993 to review the regulatory structure. We will be strongly advocating the need for reform and greater reliance on market forces.

Regulatory reform is increasingly critical as the competitive challenges facing us intensify. Our operating environment is no longer regional or even national – it is global.

The Growing Spirit

An important strategic advantage in this new era of competition are the employees of BC TEL. Increasingly, we hear stories about BC TEL people extending themselves to find solutions to customers' problems, improving processes, capitalizing on new applications of technology, finding innovative ways of cutting costs, and winning with customers.



Gordon MacFarlane, *Chairman* (left) and Brian Canfield, *President and Chief Executive Officer*

These stories reflect a new entrepreneurial spirit that flourishes within the Company. This shift in culture is partly a result of corporate action, such as restructuring BC TEL to make it more competitive, more efficient, and more customer-focused. Yet, much of the growth in entrepreneurship stems from employees themselves. As individuals or in teams, they are seeing opportunities or customer needs – and taking action.

In this report we introduce a few of the growing number of employees who exemplify this entrepreneurial spirit. These employees embrace our climate goals, accepting the challenge to be innovative, risk-taking, and to make things happen. Sometimes that means breaking new ground, and breaking away from the status quo approach to deliver innovative, quality solutions to customers.

Their efforts are moving us all forward.

Moves and Changes

We also witnessed changes on the executive floor during the past year.

Lynn Patterson, formerly vice-president of the

business division, was appointed executive vice-president and chief operating officer of BC TEL.

Roy Osing, formerly vice-president of the small business and consumer division, was appointed vice-president, business division.

Ken Crump, formerly director of employee relations, was appointed vice-president, small business and consumer division.

Bruce Hartwick, formerly vice-president of the science and technology division, was appointed vice-president and chief information officer, responsible for corporate initiatives involving strategic planning, business architecture, and information technologies and services.

Don Calder, formerly vice-president of business planning, was appointed group vice-president of the Stentor small business and consumer portfolio group, headquartered in Burnaby.

Jocelyne Côté O'Hara, formerly vice-president of government relations, was appointed president and chief executive officer of Stentor Telecom Policy Inc., the government relations and policy advisory arm for the Stentor telephone companies and their cellular affiliates.

Meanwhile, Bob Johnston, formerly vice-president of the transition management group, and Betty Rumford, formerly assistant corporate secretary, retired this past year. We thank them both for their years of valued service.

Looking ahead to the annual general meeting, we will be making a proposal to shareholders to reorganize the BC TEL Group of companies within the framework of a holding company, a corporate structure that is common to Canadian utilities. This structure will allow us to separate regulated activities from largely non-regulated activities, giving us more financial flexibility and the ability to respond more quickly to changes in our operating environment. This reorganization will not change in any way the direction BC TEL has embarked upon. We will continue to focus our energies on businesses and markets that capitalize on our expertise and capabilities.

It has been a year of strategic advancement and progress toward well-defined goals. The world continues to present us with promising opportunities and intriguing challenges. We firmly believe that we are doing the right things, that we "have what it takes" to seize the one and solve the other.

On behalf of the Board,

Gordon F. MacFarlane
Chairman

Brian A. Canfield
President and
Chief Executive Officer

It has often been said that the only constant in this world is change. For the telecommunications industry, this has never been more true. New technologies; new operating environments; new opportunities. For BC TEL the challenge lies in adapting to the speed of change. We are well prepared to compete and win in this world of opportunity. We have faith in our future founded on faith in our people.

I listen and I make things work. My pay cheque comes from

Lee-Ann Sigvardsen is a strong advocate for customer service. Managing a team that responds to the various problems and needs of residential customers in the Greater Victoria area, her dedication and commitment have been applauded by customers and co-workers alike.

LEE-ANN SIGVARDSEN
SERVICE OFFICE MANAGER–
RESIDENCE, CONSUMER AND
SMALL BUSINESS DIVISION

BC TEL but as far as I'm concerned,
I work for the customer

FOR ANY BUSINESS, CONSTANT, UNRELENTING COMPETITION IS THE NEW REALITY, AND SUCCESS LIES IN THE COMPETITIVENESS ITS PEOPLE CAN BRING TO THE CHALLENGE TO SEIZE NEW OPPORTUNITIES. PROGRESS DEPENDS ON MAINTAINING PAST GAINS AND WINNING NEW GROUND. IF COMPETITIVE SPIRIT EXISTS ONLY IN ISOLATED AREAS OF A COMPANY, THAT COMPANY MAY

After service was implemented in May 1992, the Fraser Cheam Regional District 9-1-1 operations control centre experienced repeated cases where non-emergency calls were diverted to its system. BC TEL maintenance technician Jim Duncan recommended a reprogramming solution that has since eliminated the misdirected calls. Doug Joinson, Fraser Cheam Regional District 9-1-1 Supervisor: "BC TEL's response was immediate and to the point. They were excellent and their fix was a permanent fix."

NOT LONG SURVIVE. BUT IF AN ENTREPRENEURIAL ATTITUDE IS PERVASIVE WITHIN AN ORGANIZATION, IF IT MOTIVATES THE DAY-TO-DAY ACTIONS AND DECISIONS OF PEOPLE AT EVERY LEVEL, THEN THAT ORGANIZATION WILL NOT ONLY SURVIVE; IT WILL FLOURISH. EMPLOYEES WHO BRING A REAL SENSE OF PRIDE AND OWNERSHIP TO THE WORK THEY DO ARE AN INVALUABLE ASSET.

When Bell Québec ran into difficulties setting up a customer network, they called for BC TEL's John Shackleton, an expert with a particular aspect of the Newbridge Networks technology they were installing. He quickly flew to Montreal and successfully met the installation deadline. Bell Québec's Customer Systems Engineer Marie Claude Beaudet: "John's diligence and skills were instrumental in the completion of the installation. We'd love to work with him again."

Gord Giesbrecht, Craig Lawson and Len Albertson were called in to service the emergency backup electrical system for the Vancouver Public Aquarium. They not only repaired but improved the existing system to provide increased security for marine life support in the event of a power failure.

GORD GIESBRECHT, CRAIG LAWSON,
LEN ALBERTSON (left to right)
ELECTRICIANS
BC TEL ELECTRICAL SERVICES

We **service** equipment but really we're in


business to serve the customer.
If we see a probem we fix it.

When CAE Machinery Ltd., a pulp mill equipment manufacturer, suffered a failure in their high voltage power system, an emergency crew from BC TEL Electrical Services was called in. Arriving within half an hour of the distress call, the team worked 27 hours straight to restore the plant's operational status. CAE's Manager of Manufacturing Robin Checkley: "They were wonderful. They did over and above what we expected and they fixed our problem for the long term."

IT'S A TOUGHER WORLD FOR THE BUSINESS CUSTOMERS WE SERVE AND THE COMPETITIVE ADVANTAGE CAN SHIFT FROM ONE COMPANY TO ANOTHER SUDDENLY AND WITHOUT WARNING. A NEW COMPETITOR COULD BE JUST DOWN THE STREET, ACROSS A PROVINCIAL BORDER, OR THE CHALLENGE MIGHT COME FROM HALF A WORLD AWAY. TELECOMMUNICATIONS IS A KEY

STRATEGIC ELEMENT IN A BUSINESS' COMPETITIVE STRENGTH. WE'RE IN BUSINESS TO HELP PEOPLE COMMUNICATE WITH EACH OTHER. WE CREATE INNOVATIVE SOLUTIONS TO OUR CUSTOMERS' TELECOMMUNICATIONS PROBLEMS AND PAVE THE WAY FOR THEM TO ACT ON OPPORTUNITIES. THE MORE EFFICIENT WE ARE, THE MORE EFFICIENT OUR CUSTOMERS CAN BE.

After being stranded on B.C.'s Coquihalla Highway, elementary school vice-principal Caroline Roberts was sold on the value of cellular communication, but the phone she'd bought gave her constant static. BC TEL Mobility Cellular customer care specialist Don Lightbody and vice-president of sales Gail Byers found a fault with the phone, sent it for repair, and provided Gail's cellular phone as a loaner. Caroline Roberts: "They went out of their way for me and I really appreciated the great service."

We have to be better than the competition. It's the work

Bonnie Pagens worked 14 months on a project that brought together five regional network control centres into one facility. Working long and sometimes unusual hours, her efforts reduced operating and administrative costs through simplification of the system that allows BC TEL to monitor its network traffic.

BONNIE PAGENS
NETWORK ADMINISTRATION CLERK III
TELECOMMUNICATIONS OPERATIONS

ethic – we can't move forward without it.

We've got to offer real quality

OUR BUSINESS DEPENDS ON SUPPORTING OUR CUSTOMERS AND IT'S NOT ONLY THE TECHNOLOGY

Just before moving into a new facility, the University of Victoria's Faculty of Human and Social Development found a need for more telecommunications capacity than had been originally anticipated. BC TEL's Bob Brown and Bob Hawes applied some creative cable splicing and reconfigured the network to solve the problem. Dave Stothard, UVIC's associate director of computer services: "We were definitely pleased with their speed. They never stopped working until the problem was solved."

THAT COUNTS. TECHNOLOGY IS THE BASIC INGREDIENT BUT WE LOOK TO OUR PEOPLE TO TAKE EVERY OPPORTUNITY TO MAKE BC TEL'S MISSION A REALITY. SWITCHED BROADBAND, DIGITAL CELLULAR, FIBRE OPTICS, PERSONAL WIRELESS COMMUNICATIONS: THESE ARE ONLY

A FEW OF THE TOOLS OF THE TRADE. PLACE THOSE TOOLS IN THE HANDS OF A CREATIVE, INNOVATIVE, CUSTOMER-FOCUSED INDIVIDUAL AND YOU CREATE THE FORMULA FOR A WINNING COMBINATION. WE RECOGNIZE THAT PEOPLE ARE OUR MOST IMPORTANT ASSET. WE'LL SUCCEED NOT ONLY BY OUR TECHNOLOGY, BUT BY OUR INGENUITY IN CONNECTING PEOPLE WITH PEOPLE.

Due to installation complications Tracy O'Hara, a customer in rural B.C., was unable to acquire normal home telephone service until after the term of her pregnancy. A BC TEL employee came up with a creative solution to meet the immediate need to keep Tracy connected with her community. Tracy's husband, Chuck Moody: "BC TEL was pretty impressive, picking up a cellular phone and delivering it to us on a Saturday night. They did it all for us and they really made us happy."

Pat Ogmundson was a key member of the team that developed MPR Teltech's ATM broadband switch, a new generation of technology that allows simultaneous transmission of voice, data, and video over a single fibre optic line. Ubiquity™, the world's first commercial application of ATM technology, is virtually up and running.

PAT OGMUNDSON
ATM PRODUCT MANAGER
MPR TELTECH LTD.

People want solutions to their needs

so we work from the customer's point of view.

In research and development, that always comes first.

The speed of change. Whatever challenges the future may bring, we will continue to meet the needs of our customers through innovation and by acting on new opportunities. We value individual initiatives. We are a team – within BC TEL and with our strategic partners. We act in support of our mutual commitments, provide first class customer service and quality solutions. We will continue to make things happen.

The speed of change in the telecommunications industry has increased dramatically. It has quickly evolved from voice transmission over traditional copper wire to a world of high speed communications that makes use of technologically advanced systems and networks.

In the 1990s, communication is no longer just between phones plugged into a wall. To quote Technology Media Laboratory: "The phone will become wireless, as mobile as a watch and as personal as a wallet; computer data will run over fibre optic cable in a switched digital system as convenient as the telephone is today."

Given the diversity of modern business and the speed with which any sector of the economy can change direction, the telecommunications services that BC TEL provides must be tailored to each customer's specific needs and be equal, if not superior, to those available in other parts of Canada and the world.

Technology is only a part of any telecommunications solution that we devise. Other crucial factors are the imagination, innovation, and entrepreneurship that BC TEL people bring to the challenge of meeting customers' needs.

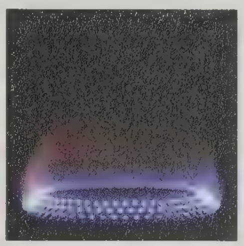
Another factor is the forming of alliances and partnerships with other players in the increasingly diversified, international telecommunications sector. Co-operation with companies whose expertise complements ours can extend our reach into the marketplace and increase our speed and flexibility in response to challenges and opportunities.

Customer focus and mutually rewarding alliances: we believe those strategies are reflected in our achievements of 1992.

Customer Contact Solution for BC Gas

In late 1991, Canada's fourth largest natural gas utility approached BC TEL to see if we could help curb the rising costs in providing customer contact services. BC TEL brought together a group of experts from various divisions, as well as from its ISM Information Systems Management (B.C.) Corporation (ISM-BC) joint venture.

Working to a stringent deadline, our team designed a system to handle customer inquiries, billings and collections at less cost to BC Gas Inc. than the creation of an in-house service.



Making it easier for BC Gas to serve customers.

BC Gas has expressed an intent to enter into a 10 year contract for the custom designed service, and detailed negotiations are under way. We are investigating the potential for marketing this kind of service to other customers.

MPR Teltech Partners with Newbridge Networks

MPR Teltech Ltd. and Ontario-based Newbridge Networks Corporation have formed a strategic partnership to accelerate the development of asynchronous transmission mode (ATM) technology, an essential part of broadband transmission networks.

MPR Teltech's work in this area enabled BC TEL Advanced Communications to develop a portfolio of broadband services called Ubiquity, which will become the world's first commercially marketed ATM service.

Integrated Backbone Network for Government of B.C.

In response to a 1992 Request for Proposals, BC TEL led a consortium of seven companies in designing an integrated backbone network (IBN) for the Government of British Columbia. The resulting proposal was accepted as the most comprehensive bid received by the British Columbia Systems Corporation.

Following its acceptance of BC TEL's submission, BC Systems proposed that the provincial government and BC TEL strike a strategic alliance with the goal of enhancing the province's telecommunications infrastructure for the benefit of both the public and private sectors. Discussions are continuing.

Providing the tools to keep government connected.

Enhancing BC Lottery Corporation's Network

The British Columbia Lottery Corporation's computer communicates with widely dispersed terminals through a network provided by BC TEL. Three years ago, a BC TEL network manager noticed that the system was based on technology that lacked newly developed safeguards that could protect against a possible large scale system failure which could be caused by even a single terminal malfunction.

A two-person team comprising sales and customer engineering spent a year working out the technical, pricing and marketing aspects of an upgrading proposal – and only then took the concept to the customer.

The Lottery Corporation issued a Request for Proposals based on our suggestions and BC TEL was awarded a 10-year contract. Using imaginative applications of off-the-shelf technology, we reduced downtime incidents by 90 percent and were able to add voice and video capabilities to the data transmission service. BC TEL realized lower maintenance costs while providing the customer with an enhanced business-sensitive network.

Full Residential Service for UBC

Cost factors had long prevented University of British Columbia students who live on campus from receiving personal line telephone service at their residences. Because the campus is on private property, the cost to the university for construction of adequate conduit for copper cabling had been prohibitive.

Helping students communicate.

In 1992 a cross-divisional work team came up with a solution that would serve the students' telecommunications needs at a cost the university could afford. By cutting across established procedures and finding creative applications of available equipment, the team was able to extend fibre optic and digital service to the campus.

UBC students can now subscribe to the array of consumer services BC TEL offers, and enjoy the convenience of answering machines, fax and computer modems in their campus residences.

Long Distance Competition Arrives

On June 12, 1992, the Canadian Radio-television and Telecommunications Commission (CRTC), in a landmark decision, ruled that Canada's major telephone companies must allow long distance competitors greater access to their networks. BC TEL is ready and willing to meet the competitive challenge. However, the Company took issue with two specific aspects of the decision which we believe do not promote fair and open competition.

- First, BC TEL is required to pay more than 70 percent of the nearly $60-million cost of interconnecting new entrants to our network.
- Second, competitors are only required to contribute a subsidy from their long distance revenues to local service at a rate at least 50 percent lower than the rate paid by BC TEL.

In July, the Federal Court of Appeal granted BC TEL and four other telephone companies leave to appeal those specific portions of the CRTC's order, and permitted a stay of implementation with regard to interconnection start-up costs. The appeal was heard in October.

Just before year-end, the Court ruled the original order would stand. Each of the telephone companies involved concluded they would not pursue a further appeal of the decision.

An example of BC TEL's direction in the competitive environment was the creation of the Carrier Services Group within the business division to manage the Company's relationship with resellers and facilities-based carriers. The group has formed mutually rewarding business relationships with the new players in Canadian telecommunications.

Stentor Alliance

The Stentor Alliance has pooled the strength and expertise of Canada's nine major telephone companies to achieve critical efficiencies and create a credible force in the global marketplace.

Key strategic alliances solidify our fundamental strengths.

Stentor, especially through its alliance with industry giant MCI, will rapidly introduce customers to an even greater arsenal of communications products and services.

The alliance comprises two jointly held companies – Stentor Resource Centre Inc. and Stentor Telecom Policy Inc., as well as the restructured former Telecom Canada, Stentor Canadian Network Management.

Stentor Resource Centre began operations on January 1, 1993, at centres located across Canada, to develop national products and services for its members, set national technological standards, manage research and development projects, and form international alliances with major telecommunications organizations.

Stentor Resource Centre, under chief executive officer, Brian Hewat, provides Stentor Signature Service, which offers account management, sales and support for major business customers. Stentor Resource Centre is divided into seven portfolio groups. The small business and consumer portfolio group is headquartered in Greater Vancouver. Approximately 350 former BC TEL people are now employees of Stentor Resource Centre.

Stentor Telecom Policy acts as the government relations and policy advisory arm for alliance members and their cellular affiliates, presenting a united voice on national telecommunications issues and policy. Former BC TEL vice-president of government relations Jocelyne Côté-O'Hara has been president and chief executive officer of Stentor Telecom Policy since it began operations in February 1992.

Stentor Canadian Network Management continued with revenue settlement responsibilities and the management and monitoring of Canada's interprovincial networks, as well as North American and overseas interconnections.

Pacific Place

Pacific Place Communications Ltd., our strategic alliance with Concord Pacific Communications Ltd., will market comprehensive communications services to the thousands of residents and commercial tenants of Pacific Place, the $2.5 billion, 82.5 hectare community now being built adjacent to Vancouver's downtown core.

Pacific Place Communications will offer such intelligent services as security monitoring and in-home environment control from distant locations, as well as high-speed data, enhanced voice, and video on demand to the first fully operable fibre optics community in North America. BC TEL's contributions to the project have attracted the interest of major developers from across North America.

Business Division

The business division continued to make BC TEL's products and services more competitive by driving down prices in response to the needs of B.C. businesses.

Offering competitively priced long distance options.

Our Advantage™ long distance programs were improved by increasing discounts and reducing the criteria for customers to qualify for call volume savings, and by eliminating service charges, including calls to Alaska and Hawaii and station-to-station calls made on a Calling Card™.

The Advantage plans for Canada, the US and overseas were merged into a single service that offers discounts on the first $200 spent on calls. Customers with multiple locations in the province may now aggregate their call volumes for discount purposes.

Advantage Plus, introduced in November 1992, provides even deeper discounts for high-volume customers. Another version of Advantage will be tailored to the needs and budgets of small business.

We simplified the Canada WATS™ service and reduced overall rates to give customers greater pricing flexibility. The US WATS service allows customers to subscribe to a new zone which covers the lower 48 states.

We also removed some charges for 800 Service™ to Canadian and continental US destinations, while allowing customers to aggregate call volumes from several locations and add Call Waiting and Call Forwarding features. 800 ENTRY™ was introduced, providing a cost-effective option to a broader segment of our business customers.

FaxCom™ and Between Friends™ now offer customers reduced rates and extended coverage to include calls to Hawaii, Alaska and overseas with no service charges.

Several hundred employees from the business division, along with those from other divisions, participated in the Competitive Improvement Project. We compared our operations with "best in class" companies, segmented 4,500 of our customers based on needs, and analyzed our own business processes. By year-end, the project's many teams had defined a series of initiatives to improve customer responsiveness, reduce costs and increase efficiency. In 1993, we will see the business division implementing the Competitive Improvement Project's organizational and process designs.

Small Business and Consumer Division

Small business customers want us to help them grow their businesses. They may not want to know how things work or spend a lot of time learning about telecommunications. They want a relationship where they can rely on us to meet their needs.

Residential customers want excellent service and products at prices they are willing to pay. We are responding to these demands by providing consistently high-level frontline performance, creative product development and promotion. We successfully launched a number of products and services including voice mail to our customer base, and introduced a number of long distance discount programs which can now be tailored for calls overseas or closer to home. An automated billing system that increases customer choice and convenience in placing collect, third-number or Calling Card calls was implemented.

Better customer service is also the motivating force behind the introduction of an enhanced information access system for our customer service staff. The amalgamation of service centres, test centres and service offices is aimed at making customer service more cost-effective and responsive.

World-class communications for a world-class event.

In 1993, the small business and consumer division will lay the telecommunications groundwork for the 1994 Commonwealth Games by linking several event sites in Greater Victoria. BC TEL will apply its expertise in fibre optic broadband systems to establish a world-class infrastructure to support the Games' overall communications demands.

Telecommunications Operations

In 1992, the telecommunications operations division reduced its cost per line – a key indicator of productivity – and further reductions will follow in 1993. The division also experienced a five percent reduction in regular full-time staff levels.

Other efficiencies will result from a re-engineering of the network. The access provisioning project, which completed phase one in 1992, will enable BC TEL to further improve customer service by simplifying the internal process through which customers are connected to the network. This will allow BC TEL to optimize its investment in the access network and reduce internal costs.

A key initiative begun in 1992 was the consolidation of five regional network control centres into one provincial network operations centre in Burnaby. Streamlining procedures through a single standard at one location will simplify the system and reduce administrative and operating costs.

Emerging Business

Communications services form the competitive backbone for business and enhance quality of life. Developing and delivering new services is a crucial business strategy for telecommunications providers in the 1990s and this past year BC TEL took steps to effectively position itself in a number of emerging businesses.

Advanced Communications

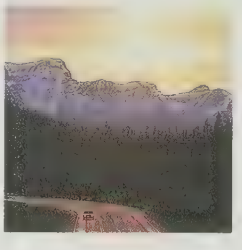
Discovery Learning Services is dedicated to serving the expanding education market. This innovative new group offers comprehensive planning, provisioning and management of information and communications services to educators.

Our education system is an important key to our economic future. Discovery Learning Services is committed to working with educators to help them more effectively utilize computer-based technology and communications services as learning tools.

Beginning operations as a business trial in January 1993, Discovery Learning Services is the first enterprise of its kind in the province and it will give BC TEL a strong presence as a full-service provider in the education market.

In mid-1992, BC TEL Advanced Communications successfully co-launched a voice mail product known as Call Answer, a cost-effective alternative to answering machines, for the consumer and small business markets.

In a cooperative venture with the province of British Columbia's Ministry of Tourism, development of a tourism information and reservation service is BC TEL's first venture into publicly accessible information services. Once the service is launched in mid-1993, travellers will be able to call an 800 Service number from anywhere in North America to find out more about their B.C. destination of choice and book their reservations directly through the travel information operators.



Marketing B.C.'s most precious natural resource

In early 1993, the establishment of an ATM-switched fibre ring connecting Vancouver, Victoria, Prince George, Kamloops and Kelowna will mark the first phase of our five-year, $75-million investment in Ubiquity. The initial applications will be marketed to the health care and education sectors as well as to government operations.

BC TEL Systems Support

In partnership with IBM Canada Ltd., BC TEL Systems Support Inc., formerly 3S Systems Support Services Ltd., successfully bid for a substantial long-term contract to service the data processing equipment of the Insurance Corporation of British Columbia.

Keeping ICBC's data processing on the move.

BC TEL Systems Support's new name, effective October 5, 1992, reflects the company-wide corporate identity branding of our various business units. The electrical and administrative units of Canadian Telephones and Supplies Ltd. have been organized under BC TEL Systems Support as BC TEL Electrical Services.

BC TEL Mobility

BC TEL Mobility and a consortium of wireless companies across Canada formed Mobility Canada, in September, 1992, to accelerate the introduction of new mobile communications services on a national basis.

In December 1992, Mobility Canada received one of four national public digital cordless licences awarded by the Department of Communications. BC TEL Mobility expects to launch new public digital cordless and many other wireless services by early 1994.

BC TEL Mobility Cellular continued to show strong growth in all market segments, once again exceeding its projections. Having achieved a base of 62,000 customers in 1991, BC TEL Mobility Cellular added 19,000 new customers to its service base in 1992.

Fifteen Mobility Centres were opened in key market areas to meet the service needs of customers. The introduction of several new services targeted to consumers met with strong market acceptance:

□ The Equalizer gives users free weekend calling for the duration of a 36-month contract;

□ Home Free allows customers to call home up to 100 times per month without charge;

□ Lifeline provides cellular phone service for emergency use at a low entry fee, with a higher per-minute usage charge.

In touch, anywhere, anytime.

With major urban centres well covered by cellular service, BC TEL Mobility Cellular expanded its network into popular vacation areas in B.C.'s interior as well as its marine coverage along the coast. Customers currently receive continuous marine cellular service from Seattle, Washington through to Desolation Sound, B.C., under a joint marketing agreement with US West Cellular.

Through the acquisition of National Pagette's operations in B.C. and the strong entrepreneurial spirit of its people, BC TEL Mobility Paging successfully adapted to a new culture, a new work environment and surpassed its financial goals. It added its 59,000th customer in 1992 and maintained a dominant share of the B.C. paging market.

In May 1992, Mobility Canada received its national licence for international paging and soon thereafter struck a partnership with MobileComm® (a BellSouth company) to offer paging service across North America. By early 1993, BC TEL Mobility Paging customers had access to major cities across the continent.

Research and Development

MPR Teltech continues to demonstrate the value of strategic alliances in developing new telecommunications technologies and applications. In addition to its strategic partnership with Newbridge Networks, MPR Teltech is working with Toronto-based communications software developer WorldLinx Telecommunications Inc. (formerly IIS Technologies Inc.) to enhance and distribute the VIS-A-VIS™ system which adds low-cost teleconferencing capability to standard personal computers connected to standard telephone lines.

MPR Teltech also won a large one-year contract from Himachal Futuristic Communications of New Delhi to design and furnish a complete digital radio system for northern India.

Developing communications lifelines.

In 1992, MPR Teltech was presented with *R&D Magazine's* prestigious R&D 100 award – the 'Oscar of Invention' – for the development of a marine satellite rescue beacon. The SATFIND-406 broadcasts to search and rescue authorities through polar-orbiting satellites, pinpointing its location to with-

in a three-kilometre radius. A land-based version is also receiving a favorable response in the marketplace. MPR Teltech continues to work with a consortium of companies from the Republic of Korea to develop a very small aperture terminal for the KoreaSat telecommunications satellite system. A group of 32 Korean engineers have been working throughout 1992 at MPR Teltech's Burnaby headquarters.

Business Solutions Management

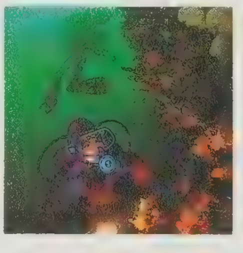
BC TEL Systems Solutions Inc. is the new group responsible for designing, developing and implementing systems solutions for BC TEL and external customers; and for consulting services in business management and information technologies.

Scheduled to begin operations by the spring of 1993, BC TEL Systems Solutions will amalgamate the Company's information systems professionals. It will also work with the ISM-BC joint venture which provides outsourced data processing services to major customers.

Community Relations

Environmental leadership was demonstrated in 1992 when BC TEL made its phone books 100-percent recyclable. BC TEL was the first contributor to the provincial government's Partners in Recycling program, which aims to further develop the recycling infrastructure, and was co-winner of the Minister's Environmental Award from the B.C. Ministry of Environment, Lands and Parks.

Extensive environmental inspections of 720 (70 per cent) of BC TEL's operating sites were initiated in 1992. Recycling initiatives have diverted thousands of tons of cable, steel, paper, cardboard and telephone poles from landfills throughout the province. Recovery and resale of used equipment generated revenues of $2 million.



Bringing a world of interactive learning into the classroom.

Underwater Safari

As a major sponsor of the Royal British Columbia Museum's Underwater Safari, BC TEL provided a microwave link from Race Rocks, an ecological reserve south of Victoria, a fibre optic feed to the museum and interactive video broadband connections to sites in Prince George, Kamloops, Kelowna and Burnaby. Children at those locations not only saw but had a chance to talk with project scientists. Programming was broadcast via satellite to other parts of B.C., Alberta, Saskatchewan, Ontario and the New England states.

Telephone Pioneers of America

More than 9,100 past and present BC TEL employees raised $200,000 in 1992, and distributed the funding to worthy causes throughout the province.

Telephone Employees' Community Fund,

For the third consecutive year, the Telephone Employees' Community Fund raised $1.1 million, retaining its position as the largest employee trust fund in the province. The funds were donated to more than 700 charitable agencies across B.C., with the largest donation of $245,000 going to Canuck Place, a hospice for children.

Contributing to the communities we serve.

Overview

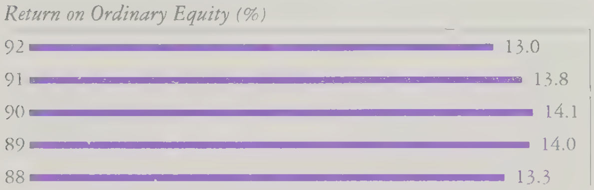
During 1992, BC TEL responded to a rapidly evolving business environment by intensifying its commitment to customers and by providing imaginative solutions to their telecommunications problems. The restructuring of its business units continued to strengthen BC TEL's position as a competitive, market-driven, customer-focused Company of the 1990s.

BC TEL's primary financial objective is to increase shareholder value. Management's focus is on developing and implementing business strategies which will earn a return on shareholders' equity commensurate with the Company's business and financial risks. Continuing growth in earnings and dividends is a key financial goal.

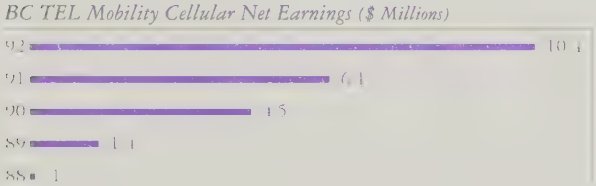
Net earnings in 1992 increased 2.3% to $205.7 million from $201.0 million in 1991. Net earnings have increased in each of the nine years since 1984. Earnings per share were $1.78, as they were in 1991.

The limiting factors in net earnings growth in 1992 included a greater loss of long distance revenues to resellers than in 1991. Other factors were the 1% increase in the provincial income tax rate and the imposition by the provincial government of a corporation capital tax in April 1992. The Canadian Radio-television and Telecommunications Commission (CRTC) denied the Company's request to defer and amortize the deferred income tax impact of the provincial income tax increase; this item alone reduced 1992 earnings per share by approximately $.07.

Return on Ordinary Equity (%)



BC TEL Mobility Cellular Net Earnings ($ Millions)



During 1992, the Company was able to introduce further long distance rate reductions and larger discounts for such packaged services as Advantage and Between Friends. An increase in the operating margin to 25.4% in 1992 (from 24.9% in 1991) reflects the success of the Company's cost reduction strategy. Another major success was the $10.4 million contribution to earnings made by BC TEL Mobility Cellular, compared to $6.1 million in 1991.

The Company operates only in the telecommunications industry segment and reports consolidated financial results. The following sections discuss the consolidated operating results and financial position, referring to specific subsidiaries where appropriate.

Results of Operations

Operating Revenues

($ Millions)	*1992*	*1991*	*Increase*	*% Change*
	2,037.2	1,935.8	101.4	5.2
Local service	774.9	698.7	76.2	10.9

Providing network access services and renting terminal equipment to business and residential customers accounted for 78% of local service revenues in 1992. This component accounted for $58 million of the total increase in local service revenues and resulted primarily from a 4.6% growth in customer access lines over 1991. Continued inter-provincial and international migration to British Columbia (coupled with a downward trend in mortgage rates), resulted in 61,000 new residence lines, a growth rate of 4.5%. Business line additions totalled 32,000, a 6.7% increase mainly attributable to a strengthening economy in B.C.

The availability of new terminal equipment such as the Vista 200 display phone, and new network management products such as Call Management Services, continued to improve local revenues.

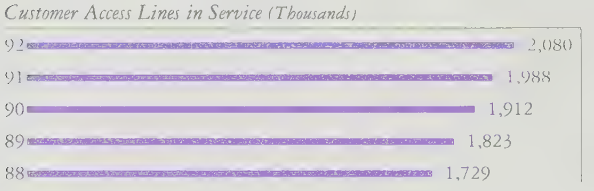
The strong growth of 31% in BC TEL Mobility Cellular's customer base, which totalled over 81,000 at year end, led to a $20 million increase in cellular local revenues. Average monthly revenue per subscriber declined slightly from $95 to $92.

($ Millions)	*1992*	*1991*	*(Decrease)*	*% Change*
Long distance service	913.8	920.1	(6.3)	(.7)

Message toll services (MTS), which provide 84% of revenues in this category, produced a $32 million revenue increase in 1992. A 7.6% increase in long distance messages was partially offset by a 3.1% decrease in average revenue per message. The higher volume of long distance calls reflects the continuing movement of new residents to British Columbia, the health of the provincial economy and the stimulative effects of discount programs and general rate reductions. Long distance resellers held an estimated 8% MTS market share in 1992 amounting to approximately $70 million.

The growth in MTS revenues was largely offset by a $21 million decrease in BC TEL's portion of long distance revenues shared with other Canadian telephone companies. This reduction is primarily due to the weaker economic performance in Ontario and Quebec relative to B.C. Reduced revenues from WATS/800 and private line services due to price reductions and migration of some customers to more competitively priced services such as Advantage, also contributed to the overall decline in long distance revenues.

Customer Access Lines in Service (Thousands)



Long Distance Messages (Millions)

($ Millions)	*1992*	*1991*	*Increase*	*% Change*
Directory advertising, equipment sales and other revenues, net	348.5	317.0	31.5	9.9

Directory advertising and equipment sales account for 75% of the gross revenues in this category. Directory advertising revenues were $8 million higher in 1992, mainly because of a 4.5% increase in Yellow Pages advertising rates accompanied by slightly higher sales volumes. Equipment sales increased $15 million in 1992 primarily due to higher revenues from BC TEL Mobility Paging. This reflects a 9.4% increase in its customer base to 60,000 in the first full year since the acquisition of National Pagette's British Columbia operations. A further $3 million of the increase in this category was due to lower uncollectible revenues reflecting an improvement in collection performance and in the provincial economy.

Operating Expenses

($ Millions)	*1992*	*1991*	*Increase*	*% Change*
	1,520.0	1,453.3	66.7	4.6
Operations	1,194.8	1,157.6	37.2	3.2

Employee-related costs, consisting of salaries, wages and benefits, comprised 61% of the cost of operations in 1992, the same percentage as in 1991. These costs rose by $21 million or 3% over 1991, largely as a result of a 4.5% wage and salary increase. A decrease of about 500 regular full-time employees (resulting from early retirements and attrition of the work force) will reduce the annualized cost base of operations by $30 million.

The corporation capital tax introduced by the provincial government on April 1, 1992 increased this expense category by over $7 million. Higher production and commission expenses associated with higher directory revenues, as well as an increase in property taxes of $3 million, exerted upward pressure on costs. The Company's ability to hold the increase in operations expense to only 3.2% (2.6% excluding the impact of the corporation capital tax), reflects the success of cost control measures.

($ Millions)	*1992*	*1991*	*Increase*	*% Change*
Depreciation	325.2	295.7	29.5	10.0

One-half of the increase in depreciation expense is due to a change in accounting policy for switching application software. Amounts that were previously charged to operating expense or capitalized and depreciated over 20 years are now being capitalized and depreciated over a five-year period, resulting in increased annual depreciation expense. The remainder of the increase is mainly due to a higher asset base. Both of these factors contributed to an increase in the composite depreciation rate to 6.42% from 6.14% in 1991.

Income Taxes

($ Millions)	*1992*	*1991*	*Increase*	*% Change*
	180.0	154.9	25.1	16.2

Of the increase in this category, $13 million was a result of the increase in pre-tax earnings. The remaining increase results from a 1% increase in the provincial income tax rate, which increased current income taxes by $4 million and deferred income taxes by $7.7 million. The deferred income tax impact resulted from a CRTC decision to disallow deferral and amortization of the tax rate increase, although a similar request had been approved in 1991. (See Notes 1f and 4 to the financial statements).

Liquidity and Capital Resources

BC TEL requires funds primarily for capital expenditures to meet the demand for telecommunications services in the province. These expenditures enable the Company to satisfy the growth in demand for basic services, introduce new products and services, increase the operating efficiency and productivity of the network and respond to competition.

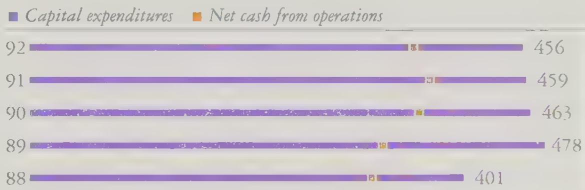
Investing Activities

Gross capital expenditures in 1992 totalled $455.5 million, compared to $459.2 million in 1991. In the provision of telephone service, a continuing strong demand for local facilities kept 1992 expenditures close to those of 1991. Expenditures on toll facilities increased by $29 million in 1992, mainly resulting from investment in two new major toll routes. The Island cable fibre link, which includes two submarine fibre routes between the Lower Mainland and Vancouver Island, is a joint venture with Teleglobe Canada. The Stentor high density 2 system is a digital radio route from Vancouver to the B.C./Alberta border. Both routes provide for growth and diversity.

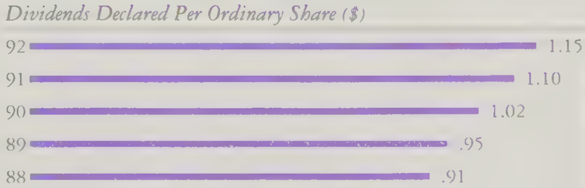
BC TEL Mobility Cellular's spending increased by $2 million to $29 million as demand for cellular service continued to be strong. BC TEL Mobility Paging's expenditures declined $11 million from 1991, a year which included the $33 million acquisition of National Pagette's operations in British Columbia. BC TEL's 1992 expenditures also included $28 million related to the Stentor Group's strategic alliance with MCI Communications Corporation.

In addition to these capital expenditures, the Company invested $19 million in Alouette Telecommunications Inc., a consortium of Canadian telecommunication companies that purchased the 53% block of shares of Telesat Canada held by the federal government.

Gross Capital Expenditures ($ Millions)



Dividends Declared Per Ordinary Share ($)



Net cash from operations (net earnings adjusted for non-cash items such as depreciation, less dividends to shareholders) was $363.6 million, or 79.8% of gross capital expenditures in 1992, compared to 80.5% in 1991.

Dividends

Dividends to ordinary shareholders totalled $127.1 million; 64.6% of ordinary share earnings in 1992. For the sixth consecutive year, the Company increased its ordinary dividend. The quarterly rate was increased by 3.6% to $.29 per share in the second quarter of 1992.

Financing Activities

BC TEL raised $56.7 million of ordinary equity capital in 1992, primarily from the issue of 2.8 million shares through the Dividend Reinvestment and Share Purchase Plan.

In March 1992, the Company issued $250 million in debentures in Canadian capital markets, the largest issue of long-term debt in BC TEL's history. The $100 million in 9.15% Series 4 debentures mature in 2002, and the $150 million in 9.65% Series 5 debentures mature in 2022. Holders of Series 4 debentures have the option to exchange them for Series 5 debentures at par on April 8 in 1996, 1997, 1998 and 1999.

In October 1992, the Company received approval for a prospectus that permits the issue of Medium Term Notes during the ensuing two year period with an aggregate principal amount outstanding at any time not to exceed $300 million. The notes will have maturities ranging from one to fifteen years and will rank equally with the outstanding debentures. During 1992, $20 million of notes were issued with a term of five years and 8% interest rate.

Recognizing the advantage of redeeming high-coupon, first mortgage bond issues, the Company redeemed five issues totalling $116.6 million in January 1992, and five issues totalling $175 million in August 1992. The year also saw a regular maturity of $87.4 million of first mortgage bonds, a redemption for sinking fund purposes of $2.5 million of first mortgage bonds, and the repurchase of $8.1 million of preferred shares.

Key Financial Ratios and Credit Ratings

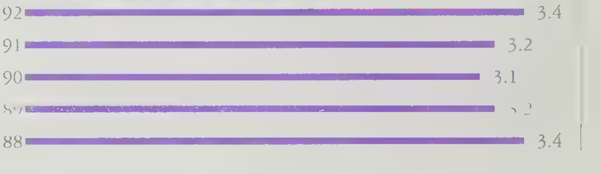
Interest coverage, at 3.4 times in 1992, was an improvement over 3.2 times in 1991 and consistent with the past five years, when interest coverage has remained above 3.0 times. Common equity as a proportion of total invested capital rose to 49% in 1992 from 47% in 1991. Return on average common equity declined to 13% in 1992 from 13.8% a year earlier, while the average yield on long-term Government of Canada bonds declined slightly more to 8.8% in 1992 from 9.7% in 1991.

Following reviews of BC TEL's financial position, both Canadian credit rating agencies – Canadian Bond Rating Service (CBRS) and Dominion Bond Rating Service (DBRS) – maintained the Company's credit ratings at the levels to which they had been upgraded in 1990. The medium term notes have been rated as equal to the debentures. The table below provides both agencies' current ratings for all rated BC TEL securities.

	CBRS	DBRS
First mortgage bonds	A+ (high)	AA
Debentures	A+	AA (low)
Medium term notes	A+	AA (low)
Commercial paper	A-1+	R-1 (middle)
Preferred shares	P-1	Pfd-1

Capital Structure ($ Millions)

Interest Coverage (Times)



Outlook

Revenues

Revenues from long distance services in 1993 can be expected to decline from the 1992 level because of a continuing loss of market share to resellers and the market entry of facilities-based competitors. BC TEL's loss of market share is expected to total in excess of 10% in 1993 and continue to increase in the next few years. At the same time, BC TEL will continue to reduce long distance rates in order to reach pricing parity with telephone companies in the United States by 1996.

BC TEL expects that the impact of competition in the long distance market will be ameliorated by rising demand for existing and new telecommunications products and services. Growth in the number of customer access lines in 1993 is expected to be near 1992 levels. Significant local service revenue increases are expected from the provision of network access and terminal rentals and from new network management products. The Company's subsidiaries, particularly BC TEL Mobility Cellular, are also expected to contribute increased revenues in 1993.

A major part of BC TEL's competitive strategy is to generate new revenue-producing opportunities from non-traditional sources. BC TEL is a shareholder in Mobility Canada, which has recently been awarded a licence to compete in the emerging field of public cordless telephones, and which expects to begin service by early 1994. BC TEL will also make another significant addition to its product line in the first half of 1993 with the launching of Ubiquity, a portfolio of broadband services for business customers. The broadband initiative will create a fibre-based switched network connecting the province's major business centres. In general, these initiatives tend to have a positive impact on earnings beginning in the second or third year after introduction.

Expenses

The most recent collective agreement between BC TEL and the Telecommunications Workers Union (TWU) included a general wage increase of 4% effective January 1, 1993. This agreement expires at the end of 1993. There is no increase in base salaries for management in 1993, with a provision for incentive payments if certain service and financial objectives are met.

BC TEL is aggressively pursuing process improvements and other initiatives which will result in further reductions to the Company's cost base and work force. The Company expects to reduce the number of management employees by approximately 200 in 1993, through an early retirement incentive offer and a voluntary separation plan offered in January 1993. The Company has approached the TWU to discuss an early retirement incentive offer for bargaining unit employees.

Liquidity and Capital Resources

The Company has made substantial commitments for purchases as part of the planned construction program for 1993, and to a lesser extent, for subsequent years. BC TEL estimates that 1993's gross capital expenditures will be $505 million; for the years 1994 through 1998, planned annual spending is expected to range from $475 million to $525 million.

Most of this spending – approximately $300 million per year – is to meet the growth in demand for existing telecommunications services. System modernization is another significant expenditure category with projected spending of $50 million in 1993, and annual amounts of between $60 and $80 million in 1994 – 1998 reflecting significant installations of digital

switches in those years. By the end of that time, 96% of customer lines will be served by digital switches, compared to 79% in 1992.

BC TEL will annually review its dividend rate in light of prospective earnings and the Company's financial position. Increases in growth opportunities and business risk may support the need for a slowdown in the rate of dividend growth, so that more earnings may be retained in the business to increase the amount of equity capital supporting future shareholder value.

BC TEL expects the issue of shares under the Dividend Reinvestment and Share Purchase Plan to provide a continuing external source of funds. The Company anticipates requiring further financing in the next few years, given the expected level of capital expenditures and new business opportunities. The Company intends to increase both interest coverage and the proportion of common equity in its capital structure. In 1993, further redemptions of first mortgage bonds for sinking fund purposes and purchases of preferred shares will be undertaken where such action will improve the fundamental value of ordinary shares.

Holding Company Structure

On June 24, 1992, BC TEL announced its intention to investigate the possibility of reorganizing the BC TEL group of companies, by segregating regulated from largely non-regulated businesses through a holding company structure. A holding company would also allow direct access to capital markets for financing largely non-regulated telecommunications investments. Tax ruling requests were filed for Canada and the United States, and favourable rulings were received on November 3, 1992 and February 10, 1993, respectively. The reorganization will involve the creation of BC TELECOM Inc. as the holding company. The Company will seek shareholders' approval for the reorganization at the April 15, 1993 annual general meeting, with an anticipated effective date of May 1, 1993.

Regulatory Review

The CRTC has announced a proceeding to review the telecommunications regulatory framework, and has scheduled a public hearing for November 1993. The CRTC will consider whether or not there are more efficient and effective ways to regulate or to streamline regulation, without compromising such long-standing basic goals as providing affordable local service and preventing anti-competitive behaviour. The review will also examine alternatives to the CRTC's existing approach to regulating the rate of return on equity.

BC TEL believes that regulatory reform is urgently needed, and welcomes this opportunity to present its views formally to the CRTC. The outcome of this proceeding is not expected to affect the Company until the last half of 1994 at the earliest.

Revenue Requirement

BC TEL continues to monitor closely the constantly changing operating environment and its financial impact on the Company, to determine whether a revenue requirement application to the CRTC will be necessary in 1993. The Company is prepared at any time to file such an application, if it is needed. Any application is not expected to have a significant impact on the Company's revenues or earnings in 1993.

Management Report

To our Shareholders:

Management is responsible to the Board of Directors for the preparation of the consolidated financial statements of the Company and its subsidiaries. These statements which have been prepared in accordance with generally accepted accounting principles necessarily include some amounts based on estimates and judgements. Financial information presented elsewhere in this annual report is consistent with that in the consolidated financial statements.

The Company maintains a system of internal control which provides management with reasonable assurance that assets are safeguarded and that reliable financial records are maintained. This system includes written policies and procedures, an organizational structure that segregates duties and a comprehensive program of periodic audits by the internal auditors. The Company has also instituted policies and guidelines which require employees to maintain the highest ethical standards.

The Company's independent auditors, Arthur Andersen & Co., have been appointed by the shareholders to express an opinion as to whether these consolidated financial statements present fairly the Company's consolidated financial position and operating results in accordance with generally accepted accounting principles. Their report follows.

The Board of Directors has reviewed and approved these consolidated financial statements. To assist the Board in meeting its responsibility, it has appointed an audit committee which is composed entirely of outside directors. The committee meets periodically with management, the internal auditors and the independent auditors to review internal accounting controls, audit results and accounting principles and practices. The committee's terms of reference are available, on request, to shareholders.

Vice-President
Finance and Administration
and Treasurer

Auditors' Report

To the Shareholders of British Columbia Telephone Company

We have audited the consolidated balance sheets of British Columbia Telephone Company (incorporated under an Act of the Parliament of Canada) as at December 31, 1992 and 1991 and the consolidated statements of earnings, retained earnings and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, the consolidated financial statements appearing on pages 38 to 50, inclusive, present fairly, in all material respects, the financial position of the Company as at December 31, 1992 and 1991 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles.

Arthur Andersen & Co.

Chartered Accountants
Vancouver, B.C.
January 22, 1993

Consolidated Statement of Earnings

Years Ended December 31 ($ Millions)	*1992*	*1991*
Operating revenues		
Local service	$ 774.9	$ 698.7
Long distance service	913.8	920.1
Directory advertising, equipment sales and other, net	348.5	317.0
	2,037.2	1,935.8
Operating expenses		
Operations	1,194.8	1,157.6
Depreciation	325.2	295.7
	1,520.0	1,453.3
Operating earnings	517.2	482.5
Other income (Note 2)	14.6	18.4
Debt service costs, net (Note 3)	144.1	144.8
Earnings before income taxes and minority interest	387.7	356.1
Income taxes (Note 4)	180.0	154.9
Earnings before minority interest	207.7	201.2
Minority interest	2.0	.2
Net earnings	205.7	201.0
Preference and preferred share dividends	9.0	9.8
Ordinary share earnings	$ 196.7	$ 191.2
Earnings per ordinary share	$ 1.78	$ 1.78
Average ordinary shares outstanding *(Thousands)*	110,499	107,594

Consolidated Statement of Retained Earnings

Years Ended December 31 ($ Millions)	*1992*	*1991*
Balance at beginning of year	$ 582.6	$ 509.8
Net earnings	205.7	201.0
	788.3	710.8
Less – Preference and preferred share dividends	9.0	9.8
– Ordinary share dividends	127.1	118.4
Balance at end of year	$ 652.2	$ 582.6

December 31 ($ Millions)	*1992*	*1991*
Assets		
Property, Plant and Equipment		
Buildings, plant and equipment, net (Note 5)	$ 3,136.4	$ 3,002.8
Land	39.3	38.6
Property under construction	152.4	161.1
Materials and supplies	70.8	58.5
	3,398.9	3,261.0
Current Assets		
Accounts receivable (Note 6)	348.2	315.9
Prepaid expenses and other	31.5	33.4
	379.7	349.3
Investments and Other Assets		
Investments (Note 7)	48.5	28.3
Long-term leases receivable (Note 1h)	45.8	49.7
Goodwill (Note 1c)	17.8	20.7
Deferred charges (Note 8)	44.2	38.9
	156.3	137.6
	$ 3,934.9	$ 3,747.9
Capitalization and Liabilities		
Capitalization		
Equity (Note 9)		
Ordinary shares	$ 1,586.7	$ 1,459.8
Preference and preferred shares	146.4	154.4
	1,733.1	1,614.2
Minority interest	4.2	2.2
Long-term debt (Note 10)	1,221.9	1,160.6
	2,959.2	2,777.0
Deferred Income Taxes (Note 1f)	302.4	322.2
Current Liabilities		
Cheques issued in excess of bank balances net of temporary investments (at cost – approximates market value)	8.4	.7
Short-term obligations (Note 11)	304.2	307.5
Accounts payable and accrued liabilities	269.1	256.3
Dividends payable	34.2	32.4
Unearned revenues	57.4	51.8
	673.3	648.7
Commitments and Contingent Liabilities (Note 13)		
	$ 3,934.9	$ 3,747.9

Approved by the Directors,

Director

Director

Years Ended December 31 ($ Millions)	*1992*	*1991*
Operating Activities:		
Net earnings	$ 205.7	$ 201.0
Depreciation	325.2	295.7
Deferred income taxes	(19.8)	(3.2)
Allowance for funds used during construction	(11.6)	(13.0)
Other, net	10.4	7.4
	509.9	487.9
(Increase) decrease in non-cash working capital (Note 12)	(10.2)	10.1
Cash from operations	499.7	498.0
Less – Dividends to shareholders	136.1	128.2
	363.6	369.8
Financing Activities:		
Ordinary shares issued	56.7	56.1
Shares issued by subsidiary to minority shareholder	—	2.0
Long-term debt issued	297.5	211.2
Increase in promissory notes and bank loans	207.1	2.3
	561.3	271.6
Redemptions of long-term debt	(446.6)	(161.9)
Redemptions of preferred shares	(7.4)	(4.6)
Other	(8.9)	(2.0)
	98.4	103.1
Investing Activities:		
Capital expenditures, net	(443.9)	(446.2)
Increase in materials and supplies capitalized	(12.3)	(5.7)
Salvage value of plant retired, net	4.7	38.1
Increase in investments and other assets	(22.1)	(23.8)
Decrease (increase) in long-term leases receivable	3.9	(9.7)
	(469.7)	(447.3)
Cash Position:		
Net (decrease) increase during the year	(7.7)	25.6
Beginning of year	(.7)	(26.3)
End of year	(8.4)	(.7)
Represented by:		
Cheques issued in excess of bank balances	(36.4)	(18.7)
Temporary investments	28.0	18.0
	$ (8.4)	$ (.7)

1. Summary of Significant Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and in conformity with prevailing practices in the Canadian telecommunications industry. These statements conform in all material respects with International Accounting Standards.

The term 'Company' is used to mean British Columbia Telephone Company and, where the context of the narrative permits or requires, its subsidiaries.

British Columbia Telephone Company operates in a single industry segment which is telecommunications services. The Company is regulated by the Canadian Radio-television and Telecommunications Commission (CRTC). In its role as regulator, the CRTC sets allowable rates of return, approves equity financing, approves tariffs for certain of the Company's goods and services and periodically issues directives which affect the accounting treatment of specific items in the Company's accounts.

(a) Consolidation

The consolidated financial statements include the accounts of all the Company's majority-owned subsidiaries of which the principal ones are B.C. Mobile Ltd., BC TEL Mobility Cellular Inc., BC TEL Systems Support Inc., Canadian Telephones and Supplies Ltd., Microtel Limited, MPR Teltech Ltd., Telecom Leasing Canada (TLC) Limited and ISM Information Systems Management (B.C.) Corporation (51%).

All significant intercompany transactions have been eliminated except for the acquisition of telecommunications equipment and supplies which are capitalized at cost to the parent company in the consolidated balance sheet, and included in the consolidated statement of earnings. To the extent that any income on these sales has not been offset by depreciation and other operating expenses, it remains in consolidated earnings and retained earnings.

(b) Switching Application Software

Effective January 1, 1992, the CRTC directed the Company to capitalize expenditures for switching application software for both the initial and subsequent installations, and to amortize both these expenditures and the embedded investment in this software over a five-year period. Prior to 1992, the Company's policy was to capitalize only expenditures for initial installation and to amortize these amounts over the service life of the switch (approximately 20 years), and to expense all subsequent software release costs.

(c) Goodwill

Goodwill, which represents the excess of the cost of acquired business over the fair value attributed to the net identifiable assets, is amortized over periods not exceeding 15 years.

(d) Property, Plant and Equipment (Property)

Property is recorded at historical cost and, with respect to self-constructed property, includes certain payroll costs and general overheads. In addition, the Company capitalizes an amount for the cost of funds used to finance construction. This allowance for funds used during construction is included in income as an offset against debt service costs. For new telecommunications property, the capitalization rate as defined by the CRTC was 11.87% in 1992 (12.30% – 1991).

The original cost of retired telecommunications property is charged to accumulated depreciation. No gain or loss on retirement and disposal is recognized in the consolidated statement of earnings.

(e) Depreciation

Depreciation rates for property are determined by a continuing program of engineering studies for each class of property, according to year of placing in service and estimated useful life. This is in compliance with regulatory requirements. Depreciation provisions are calculated on a straight-line basis using such rates.

(f) Income Taxes

The Company and its subsidiaries use the tax allocation basis of accounting for income taxes. Deferred income taxes are provided for on all timing differences between accounting income and taxable income.

The Company, as directed by the CRTC, follows a modified liability method to account for deferred income taxes. This method is not consistent with generally accepted accounting practices followed by non-regulated companies and is unique to certain telephone companies subject to CRTC regulation.

In July 1989, the CRTC directed that the deferred income taxes of the Company (excluding subsidiaries) be adjusted to reflect the combined statutory income tax rate in effect on January 1, 1989 and that the resulting adjustment be amortized as a reduction of income tax expense over a five-year period. The balance of the unamortized adjustment is included in deferred income taxes on the balance sheet.

The CRTC further directed that adjustments to deferred income taxes for subsequent minor changes to income tax rates should, under normal circumstances, be taken into income in the current year. The CRTC indicated a willingness to consider a longer amortization period if the subsequent adjustment to deferred income taxes would have a significant impact on the Company's return on equity.

(g) Translation of Foreign Currencies

Trade transactions completed in foreign currencies are reflected in Canadian dollars at the rates prevailing at the time of the transactions. Amounts payable and receivable in foreign currencies are reflected in the consolidated financial statements in equivalent Canadian dollars at the rate of exchange prevailing at the balance sheet date.

(h) Leases

Leases are classified as capital or operating depending upon the terms and conditions of the contracts. Where the Company's subsidiary, Telecom Leasing Canada (TLC) Limited is the lessor, it acts as a financing intermediary. The long-term leases receivable represent the present value of future lease payments receivable due beyond one year. Finance income derived from these financing leases is recorded so as to produce a constant rate of return over the terms of the leases.

Other long-term lease rental agreements on equipment leased to customers are accounted for as operating leases. Rental income is recognized as service revenue over the term of the lease, generally five or ten years. The equipment is depreciated in accordance with the Company's existing depreciation policy.

Where the Company is the lessee, asset values recorded under capital leases are amortized on a straight-line basis over the term of the lease. Obligations recorded under capital leases are reduced by lease payments net of imputed interest.

2. Other Income

($ Millions)	*1992*	*1991*
Lease finance income	$ 9.4	$ 9.4
Interest income	3.3	5.6
Equity income	1.7	5.9
Other, net	.2	(2.5)
	$ 14.6	$ 18.4

3. Debt Service Costs, Net

($ Millions)	*1992*	*1991*
Interest on long-term debt	$ 138.3	$ 143.9
Other	17.4	13.9
	155.7	157.8
Less – Allowance for funds used during construction	11.6	13.0
	$ 144.1	$ 144.8

4. Income Taxes

($ Millions)	*1992*	*1991*
Current – Federal	$ 128.5	$ 103.9
– Provincial	71.3	54.2
Deferred	(19.8)	(3.2)
	$ 180.0	$ 154.9

A reconciliation of the statutory income tax rate to the effective income tax rate is as follows:

	1992	*1991*
Combined basic federal and provincial statutory income tax rate	44.8%	43.8%
Federal large corporation capital tax	1.0	.7
Allowance for funds used during construction	—	(.2)
Deferred income tax adjustment (Note 1f)	.8	(1.7)
Other	(.2)	.9
Effective income tax rate per consolidated statement of earnings	46.4%	43.5%

The provincial tax rate increased 1% in both 1991 and 1992, resulting in an increase in deferred income taxes of $6.8 million in 1991 and $7.7 million in 1992. In each case, the Company applied to the CRTC to defer and amortize the resulting adjustment (see Note 1f). The CRTC allowed the effect of the 1991 increase to be offset against the unamortized deferred income tax adjustment remaining from 1989. The CRTC required the effect of the 1992 increase to be charged directly to income tax expense in the year.

5. Buildings, Plant and Equipment, Net

			Net Book Value	
($ Millions)	*Cost*	*Accumulated Depreciation*	*1992*	*1991*
Buildings	$ 451.7	$ 123.2	$ 328.5	$ 323.8
Plant	1,565.7	533.4	1,032.3	1,005.9
Equipment	2,851.3	1,256.9	1,594.4	1,494.9
Assets under capital lease	34.1	9.4	24.7	27.8
Other	322.2	165.7	156.5	150.4
	$ 5,225.0	$ 2,088.6	$ 3,136.4	$ 3,002.8

The composite depreciation rate was 6.42% for 1992 (6.14% – 1991).

6. Accounts Receivable

($ Millions)	1992	1991
Trade receivables	$ 275.3	$ 245.0
Current portion of leases receivable	31.9	33.3
Other	41.0	37.6
	$ 348.2	$ 315.9

7. Investments

($ Millions)	1992	1991
Investments carried at cost:		
Alouette Telecommunications Inc./Telesat Canada	$ 22.1	$ 3.3
Other	3.0	.6
Investments carried at equity:		
Prism Systems Inc. (49%)	23.2	23.9
Canac-Microtel Joint Venture (50%)	.2	.5
	$ 48.5	$ 28.3

In 1992, the Company exchanged its 330,000 shares in Telesat Canada and an additional $18.4 million for a 17% voting interest (12% equity interest) in Alouette Telecommunications Inc., the parent company of Telesat Canada.

8. Deferred Charges

($ Millions)	1992	1991
Pension plan contributions in excess of charges to income	$ 17.6	$ 13.0
Cost of issuing debt securities, less amortization	13.7	8.8
Development costs	9.6	12.6
Other	3.3	4.5
	$ 44.2	$ 38.9

Product development expenditures which in management's opinion result in identifiable assets are included in deferred charges. During the year $3.5 million ($7.9 million – 1991) of development expenditures were deferred and amortization of $6.5 million ($7.6 million – 1991) was charged to expense during the year. The balance of deferred costs will be amortized over a period not to exceed the expected life of the related products.

All other expenditures for research, development and improvement of new and existing products and services are expensed as incurred. The amount expensed in 1992 was $52.0 million ($44.0 million – 1991).

9. Equity

(a) Details of Shareholders' Equity

($ Millions)	1992	1991
Ordinary		
Ordinary shares without par value:		
111,595,703 shares outstanding (108,746,326 shares – 1991)	$ 928.5	$ 871.8
Retained earnings	652.2	582.6
Contributed surplus	6.0	5.4
	1,586.7	1,459.8

($ Millions)		Redemption Premium	1992	1991
Preference and Preferred (Note 9e)				
Par value of $100 each, cumulative				
6%	Preference	10.0%	1.0	1.0
4 3/8%	Preferred	4.0%	6.0	6.0
4 1/2%	Preferred	4.0%	5.0	5.0
4 3/4%	Preferred	5.0%	7.5	7.5
4 3/4%	Preferred (Series 1956)	4.0%	7.5	7.5
5.15%	Preferred	5.0%	12.0	12.0
5 3/4%	Preferred	4.0%	10.0	10.0
6%	Preferred	5.0%	4.5	4.5
Par value of $25 each, cumulative				
4.84%	Preferred	4.0%	20.0	20.0
6.80%	Preferred	6.0%	10.0	10.0
7.04%	Preferred	3.5%	20.0	20.0
7.40%	Preferred	—	26.0	30.5
7.65%	Preferred	—	16.9	20.4
			146.4	154.4
Total Equity			$ 1,733.1	$ 1,614.2

(b) Authorized Capital

The Company is authorized, subject to directors' and shareholders' approval, to issue shares with or without par value up to the nominal amount of $1,250.0 million. As at December 31, 1992 the total approved share capital of the Company was $1,250.0 million ($1,250.0 million – 1991).

(c) Changes During 1992

Ordinary shares

The Company issued 2,800,777 shares during 1992 (2,822,026 – 1991) for $55.9 million ($52.4 million – 1991) through the Dividend Reinvestment and Share Purchase Plan.

The Company issued 48,600 shares during 1992 (226,600 – 1991) for $.8 million ($3.7 million – 1991) through the Long-Term Incentive Share Option Plan (LISOP).

Preferred shares

The Company redeemed 179,590 of 7.40% preferred shares (120,000 – 1991) with a par value of $4.5 million ($3.0 million – 1991) and 143,040 of 7.65% preferred shares (80,400 – 1991) with a par value of $3.6 million ($2.0 million – 1991).

(d) Ordinary Shares Reserved

At December 31, 1992 the following shares remained reserved:

- 3,178,569 shares for issuance under the Dividend Reinvestment and Share Purchase Plan as approved by the CRTC on October 28, 1982. The purchase price for the plan is based on the average market price in the calendar month immediately preceding the investment date.
- 778,616 shares under the LISOP. Under the terms of the LISOP, the Company has granted key employees options to purchase ordinary shares at fixed exercise prices as follows:

9. Equity (continued)

(d) Ordinary Shares Reserved (continued)

Year Options Granted	*Options Granted*	*Options Outstanding*	*Exercise Price*
1992	263,725	263,725	$ 19.375 – 22.125
1991	270,600	231,800	19.125 – 20.00
1990	199,700	92,300	17.75
1989	206,400	51,600	14.75

Options granted may be exercised over specific periods not to exceed 10 years from the date granted.

(e) Preferred Share Redemption Requirements and Purchase Obligations

The preference and preferred shares are redeemable at the stated redemption premium at the Company's option.

Purchase obligations apply to two issues:

- 7.40% preferred shares are subject to a purchase obligation requiring the Company to make all reasonable efforts to purchase in each 12 month period commencing July 15, 1979, 60,000 shares at a price not exceeding $25 per share excluding costs of purchase.
- 7.65% preferred shares are subject to a purchase obligation requiring the Company to make all reasonable efforts to purchase in each 12 month period commencing August 1, 1978, 40,200 shares at a price not exceeding $25 per share excluding costs of purchase.

10. Long-Term Debt

(a) Details of Long-Term Debt

($ Millions)

Series	*Rate*	*Maturity*	*1992*	*1991*
First Mortgage Bonds				
O	9 5/8%	November, 15 1992[1]	$ —	$ 18.0
P	9 1/8%	November, 15 1992[1]	—	.5
Q	8 1/4%	March 1, 1994[2]	—	35.0
S	7 7/8%	November 15, 1995[2]	—	25.0
T	8 5/8%	October 15, 1993[2]	—	40.0
U	8 1/8%	November 1, 1996[1]	—	23.1
V	9%	October 1, 1997[2]	—	40.0
X	9 1/4%	April 15, 1998[2]	—	35.0
Y	11%	January 15, 1996[1]	—	45.0
AA	10 1/4%	April 1, 1995[1]	—	30.0
AD	10 1/4%	October 15, 2001	60.0	60.0
AE	9.70%	June 15, 1999	50.0	50.0
AF	9 7/8%	November 1, 2003	75.0	75.0
AH	16 3/8%	April 1, 1992	—	87.4
AK	11%	February 15, 1999	40.6	40.6
AL	11.35%	November 15, 2005	123.8	125.0
AM	9.50%	May 12, 1994	50.0	50.0
AN	10.50%	June 12, 2000	123.7	125.0
			523.1	904.6

[1] *Redeemed January 17, 1992*

[2] *Redeemed August 6, 1992*

($ Millions) Series	Rate	Maturity	1992	1991
Debentures				
1	12%	May 31, 2010	50.0	50.0
2	11.90%	November 22, 2015	125.0	125.0
3	10.65%	June 19, 2021	175.0	175.0
4	9.15%	April 8, 2002	100.0	—
5	9.65%	April 8, 2022	150.0	—
			600.0	350.0
Medium Term Notes				
1	8%	February 15, 1998	20.0	—
Other Long-Term Debt				
Issued at varying rates of interest from 8.17% to 13.93% and maturing on varying dates up to 2001			86.1	117.0
Capital Leases (Note 13c)				
Issued at varying rates of interest up to 14.70% and maturing on varying dates up to 2000			22.7	29.4
Total debt			1,251.9	1,401.0
Less – Current maturities			30.0	240.4
Long-Term Debt			$ 1,221.9	$ 1,160.6

(b) First Mortgage Bond Issue Requirements

The Company's property is subject to liens under the Deed of Trust and Mortgage dated March 1, 1946 under which the First Mortgage Bonds are issued. The Deed of Trust and Mortgage requires either an annual sinking fund payment of 1% of the original principal amount of bonds outstanding or the pledge of additional unmortgaged property in the amount of 1½% of the principal. In 1992, sinking fund payments were made in respect of the Series AL and AN First Mortgage Bonds and additional unmortgaged property was pledged in respect of all other outstanding bonds.

(c) Debenture Issue Requirements

Debentures are issued under the Trust Indenture dated May 31, 1990 and are not secured by any mortgage, pledge or other charge. While the Trust Indenture is in effect, further issues of First Mortgage Bonds are not permitted. New issues of unsecured debt are subject to restrictions as to debt ratio and interest coverage as defined in the Trust Indenture.

10. Long-Term Debt (continued)

(d) Medium Term Note Program

Under the terms of the medium term note prospectus, a total of $300 million in medium term notes may be issued prior to October 19, 1994. The notes will have maturities ranging from one to fifteen years with interest rate and other features determined at the time of issue. The notes will be unsecured and will rank equally with the Company's outstanding debentures.

(e) Retraction/Exchange Provisions

The Series AK Bonds are retractable at the option of the holder on February 15, 1994, at which date the Company has the option to set a new rate of interest or to redeem the bonds.

The outstanding debentures may not be redeemed prior to maturity.

The Series 4 Debentures are exchangeable, at the holder's option, effective on April 8 of any year during the four-year period from 1996-1999, for an equal principal amount of Series 5 Debentures.

(f) Long-Term Debt Maturities

Long-term debt maturities, excluding capital lease maturities, during each of the next five years are:

($ Millions)	
1993	$ 24.1
1994 (Excluding Series AK)	71.0
1995	14.0
1996	21.7
1997	5.0

11. Short-Term Obligations

Amounts due for redemption within one year including short-term indebtedness pending permanent financing are as follows:

($ Millions)	1992	1991
Promissory notes and bank loans issued at varying rates of interest from 6.57% to 11.50%	$ 274.2	$ 67.1
Current maturities of long-term debt	30.0	240.4
	$ 304.2	$ 307.5

At December 31, 1992, the Company had in place committed unused lines of credit totalling $127.3 million ($157.9 million – 1991).

In the ordinary course of managing its debt, the Company and its subsidiaries use various financial instruments, which are not reflected on the balance sheet, to reduce or eliminate exposure to interest rate risks. Interest rate swaps, caps and swaptions are used to hedge or reduce the exposure to floating interest rates associated with short-term obligations. At December 31, 1992, $224.0 million in short-term obligations are covered by such instruments.

12. Working Capital

(Increase) decrease in non-cash working capital:

($ Millions)	*1992*	*1991*
Accounts receivable	$ (32.3)	$ (11.0)
Prepaid expenses and other	1.9	7.3
Accounts payable and accrued liabilities	12.8	22.3
Income taxes payable	—	(14.0)
Dividends payable	1.8	2.9
Unearned revenues	5.6	2.6
	$ (10.2)	$ 10.1

13. Commitments and Contingent Liabilities

(a) The Company estimates capital expenditures for additional property to be $505.0 million in 1993. Substantial purchase commitments have been made in connection with these expenditures.

(b) The Company has provided guarantees regarding the supply of equipment for the North Warning System project by its subsidiary company, Microtel Limited. The guarantees provide for the full performance and fulfilment of all obligations arising from the contract.

(c) The Company occupies leased premises in various centres and has land and equipment under operating leases expiring in periods from one to sixty-eight years.

At December 31, 1992, the future minimum lease payments under capital leases and operating leases were:

($ Millions)	*Capital Leases*	*Operating Leases*
1993	$ 7.8	$ 14.6
1994	7.0	11.4
1995	5.3	8.7
1996	4.8	6.8
1997	2.3	5.4
Thereafter	.5	130.5
Total future minimum lease payments	27.7	$ 177.4
Less imputed interest	5.0	
	$ 22.7	

14. Pension Plans

Pension plans are maintained for substantially all employees. The Telecommunications Workers Union sponsored pension plan for bargaining unit employees requires the Company to contribute a fixed percentage of employee gross earnings to trust funds.

Actuarial valuations are prepared for Company sponsored plans and the Company pays into trust funds the amounts recommended by the actuary.

Accrued pension costs for accounting purposes are determined in accordance with generally accepted accounting principles, using management's best estimate assumptions of future events. Adjustments arising from plan amendments, changes in assumptions, experience gains and losses and the initial net plan assets and obligations are amortized over the expected average remaining service life of the employee group covered by the plans. The total pension expense amounted to $57.0 million in 1992 ($54.6 million - 1991). The cumulative difference between the amount contributed to the pension plans and the amount charged to income is recorded in the consolidated balance sheet under deferred charges.

Based on the actuarial reports of the Company sponsored pension plans, which used projected employee earnings in estimating the accrued pension obligations and market related value for asset valuation, a comparison of the plan assets and plan obligations projected to December 31, 1992 has been estimated as follows:

($ Millions)	*1992*	*1991*
Actuarial value of assets	$ 597.7	$ 549.5
Actuarial value of obligations	637.9	619.4
Unfunded deficit	$ (40.2)	$ (69.9)

15. Related Party Transactions

Transactions with related parties (all affiliates of GTE Corporation) were purchases and sales of telecommunications technology, equipment and supplies, directory advertising commissions and payments for services rendered under cost-sharing agreements. During the year the Company purchased goods and services from related parties amounting to $47.1 million ($43.3 million – 1991). Sales to related parties amounted to $2.2 million ($2.4 million – 1991).

16. Prior Year Presentation

The 1991 amounts have been reclassified, where applicable, to conform with the 1992 presentation.

	1992	1991	1990	1989	1988
Consolidated Statistics					
Statement of Earnings ($ Millions)					
Operating revenues	$ 2,037.2	$ 1,935.8	$ 1,843.4	$ 1,681.6	$ 1,628.6
Local service	774.9	698.7	643.7	583.0	532.2
Long distance service	913.8	920.1	900.1	821.9	867.6
Directory advertising, equipment sales and other, net	348.5	317.0	299.6	276.7	228.8
Operating expenses	1,520.0	1,453.3	1,398.5	1,269.7	1,217.1
Debt service costs, net	144.1	144.8	138.2	126.9	116.1
Income taxes	180.0	154.9	134.8	127.5	147.3
Net earnings	205.7	201.0	193.2	177.5	159.2
Ordinary share earnings	196.7	191.2	180.6	161.7	143.2
Balance Sheet ($ Millions)					
Property, plant and equipment, at cost	$ 5,487.5	$ 5,173.2	$ 4,980.5	$ 4,617.6	$ 4,329.1
Accumulated depreciation	2,088.6	1,912.2	1,850.6	1,634.0	1,508.0
Total capitalization	3,263.4	3,084.5	2,906.4	2,785.4	2,549.5
Capital structure					
Short-term obligations	9.3%	10.0%	6.5%	7.9%	8.3%
Long-term debt	37.5%	37.6%	42.2%	40.6%	39.6%
Preference and preferred shares	4.5%	5.0%	5.5%	7.6%	8.4%
Ordinary share equity	48.7%	47.4%	45.8%	43.9%	43.7%
Financial Statistics					
Earnings per ordinary share	$ 1.78	$ 1.78	$ 1.72	$ 1.58	$ 1.43
Dividends declared per ordinary share	$ 1.15	$ 1.10	$ 1.02	$ .95	$ .91
Equity per ordinary share	$ 14.22	$ 13.42	$ 12.59	$ 11.80	$ 11.07
Return on ordinary equity	13.0%	13.8%	14.1%	14.0%	13.3%
Return on ordinary equity for regulatory purposes	12.4%	13.6%	13.0%	13.5%	13.7%
Interest coverage *(Times)*	3.4	3.2	3.1	3.2	3.4
Average shares outstanding *(Thousands)*	110,499	107,594	104,857	102,098	99,852
Other Statistics					
Capital expenditures, gross *($ Millions)*	$ 455.5	$ 459.2	$ 462.7	$ 477.8	$ 401.3
Customer access lines in service *(Thousands)*	2,080	1,988	1,912	1,823	1,729
Customer lines served by digital switches	79%	77%	75%	71%	65%
Long distance messages *(Millions)*	424.4	394.3	357.3	314.8	264.4
Regular full-time employees at year end	14,524	15,015	14,997	14,027	15,157
BC TEL Mobility Cellular Statistics					
Cellular subscribers	81,344	62,289	44,504	24,459	10,322
Penetration rate	3.1%	2.6%	1.9%	1.1%	.5%
Estimated market share	56%	56%	55%	n/a	n/a
Average monthly revenue per subscriber	$ 92	$ 95	$ 98	$ 93	$ 100
Cash flow margin	45.7%	42.4%	41.0%	29.3%	14.8%
Net earnings *($ Millions)*	$ 10.4	$ 6.1	$ 4.5	$ 1.4	$ .1
Return on equity	28.3%	24.0%	31.0%	24.5%	4.5%
Gross plant in service per subscriber	$ 1,479	$ 1,534	$ 1,496	$ 1,202	$ 1,073
Monthly deactivations *(churn rate)*	1.6%	1.8%	1.5%	1.2%	1.4%

NOTE: Prior period statistics have been reclassified, where significant, to conform with the 1992 presentation.

($ Millions)	Three Months Ended Mar. 31	June 30	Sept. 30	Dec. 31	1992
Quarterly Financial Data					
Operating revenues	$ 489.1	$ 507.5	$ 510.8	$ 529.8	$ 2,037.2
Operating expenses	382.8	379.7	374.9	382.6	1,520.0
Operating earnings	106.3	127.8	135.9	147.2	517.2
Other income	2.4	3.2	1.2	7.8	14.6
Debt service costs, net	36.6	35.2	36.5	35.8	144.1
Earnings before income taxes and minority interest	72.1	95.8	100.6	119.2	387.7
Income taxes	32.9	50.6	43.5	53.0	180.0
Earnings before minority interest	39.2	45.2	57.1	66.2	207.7
Minority interest	—	.7	.7	.6	2.0
Net earnings	39.2	44.5	56.4	65.6	205.7
Preference and preferred share dividends	2.3	2.2	2.3	2.2	9.0
Ordinary share earnings	$ 36.9	$ 42.3	$ 54.1	$ 63.4	$ 196.7
Earnings per ordinary share	$ .34	$ .38	$ .49	$ .57	$ 1.78
Average ordinary shares outstanding (Thousands)	109,304	110,196	110,919	111,577	110,499

NOTE: The second quarter of 1992 has been restated to reflect the impact of the 1% provincial tax rate increase on deferred income taxes.

For purposes of the Company's medium term note program, the following information is provided as at December 31, 1992:

Pro forma annual interest coverage	3.91
Net tangible asset coverage	
Before deduction of deferred income taxes	2.37
After deduction of deferred income taxes	2.13

	1992	1991
Ordinary Share Statistics		
Number of registered ordinary shareholders	14,060	13,971
Number of shares outstanding at December 31	111,595,703	108,746,326
Volume of shares traded	15,858,400	16,011,400
The Toronto Stock Exchange price range *(high-low)*		
First Quarter	$ 23 7/8 – 21	$ 20 1/2 – 18 5/8
Second Quarter	22 – 18 3/4	20 3/4 – 19 1/8
Third Quarter	22 – 19 5/8	20 3/8 – 18 3/4
Fourth Quarter	21 3/4 – 19 1/2	23 – 19

Geographic Distribution (%)	Shareholders 1992	Shareholders 1991	Shares 1992	Shares 1991
British Columbia	56.0	55.2	9.9	10.8
Other Canadian	42.3	43.3	89.6	88.6
Foreign	1.7	1.5	.5	.6
	100.0	100.0	100.0	100.0

Principal Ownership
At December 31, 1992, Anglo-Canadian Telephone Company of Montreal (a wholly-owned subsidiary of GTE Corporation) owned 56,210,924 shares, or 50.4% of the total ordinary shares outstanding.

Dividend Reinvestment and Share Purchase Plan
The Company maintains a plan whereby holders of all classes of shares can elect to acquire ordinary shares through automatic reinvestment of dividends and investment of optional contributions. The plan provides a discount of 5% on the price of ordinary shares purchased with reinvested ordinary share dividends and allows for optional contributions of up to $20,000 per calendar year for the purchase of additional ordinary shares. Further information is available by contacting Investor Relations.

Ordinary Share Dividends
Dividends are payable quarterly on the first day of January, April, July and October. In 1992, dividends declared amounted to $.28 per share for the first quarter, increasing to $.29 for the second, third and fourth quarters, for an annual total of $1.15.

Market Trading
Shares are listed for trading on the Toronto, Montreal and Vancouver Stock Exchanges. The ordinary shares symbol is BCT.

Transfer Agent and Registrar
Montreal Trust Company

Duplicate Annual Reports
Every effort has been made to eliminate duplications in our shareholders' mailing list. However, if you have more than one holding you will receive a separate report for each registration unless your shares are registered under exactly the same name.

Annual Meeting
The Annual General Meeting of the Shareholders will be held on Thursday, April 15, 1993 at 10:00 a.m. in the Auditorium of the British Columbia Telephone Company Building, 3777 Kingsway, Burnaby, B.C., Canada.

Investor Inquiries
Additional financial information or copies of Annual and Interim Reports may be obtained by writing to:

Investor Relations
19th Floor
3777 Kingsway
Burnaby, B.C. V5H 3Z7

Investors in the Vancouver area or outside of Canada may call (604) 432-2413, while investors elsewhere in Canada may call free of charge 1-800-663-9405.
Fax (604) 434-9467.

Equity Per Ordinary Share and Market Trading Range ($)

Directors*

Gordon F. MacFarlane [2]
Chairman
British Columbia
Telephone Company

Brian A. Canfield
President and
Chief Executive Officer
British Columbia
Telephone Company

G. Neldon (Mel) Cooper
C.M., O.B.C. [3]
President
Seacoast Communications
Group Inc., Victoria, B.C.

Kent B. Foster [2 3]
President
GTE Telephone
Operations Group,
Irving, Texas

M. Rendina K. Hamilton
Q.C.
Barrister & Solicitor
Kelowna, B.C.

Gerald H.D. Hobbs [3]
Private Investor
Vancouver, B.C.

James L. Johnson [2]
Chairman Emeritus
GTE Corporation,
Stamford, Connecticut

Victor F. MacLean [1]
Company Director
Vancouver, B.C.

John W. Pitts [1]
President and
Chief Executive Officer
MacDonald Dettwiler
& Associates Ltd.,
Richmond, B.C.

Barbara J. Rae [1]
Chairman
ADIA Canada Ltd.,
Vancouver, B.C.

W. Robert Wyman [2]
Chairman
Finning Ltd.,
Vancouver, B.C.

Officers*

Gordon F. MacFarlane
Chairman

Brian A. Canfield
President and
Chief Executive Officer

E. Lynn Patterson
Executive Vice-President and
Chief Operating Officer

Robert F. Alexander
Vice-President
(on loan to Victoria
Commonwealth Games Society)

Dorothy E. Byrne
Vice-President
Legal and Corporate Affairs
and Corporate Secretary

Donald W. Champion
Vice-President
Human Resource Development

C. Kenneth Crump
Vice-President
Small Business and
Consumer Division

Leo J. Dooling
Vice-President
Finance and Administration
and Treasurer

Harold R. Ens
Vice-President
Telecommunications Operations

Bruce G. Hartwick
Vice-President
Chief Information Officer

Roy A. Osing
Vice-President
Business Division

Fares F. Salloum
Vice-President
Emerging Business

Arthur R. Tymos
Assistant Treasurer

**As of January 1, 1993*

[1] *Member of the Audit Committee*
[2] *Member of the Human Resources and Compensation Committee*
[3] *Member of the Pension Trust Committee*

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BCTEL

British Columbia
Telephone Company
3777 Kingsway
Burnaby, B.C.
V5H 3Z7

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BRITISH COLUMBIA TELEPHONE COMPANY

NOTICE OF ANNUAL GENERAL MEETING OF SHAREHOLDERS

Notice is hereby given that the One-hundredth Annual General Meeting of the Shareholders of British Columbia Telephone Company will be held in the **Auditorium at British Columbia Telephone Company's Head Office Building, 3777 Kingsway, Burnaby, British Columbia, on Thursday, April 16, 1992, at the hour of 10:00 a.m.,** local time, for the following purposes:

(1) To receive the 1991 Audited Financial Statements of the Company, including the Consolidated Balance Sheet, the related Consolidated Statements of Earnings, Retained Earnings and Changes in Financial Position and Auditors' Report thereon;

(2) To elect directors for the ensuing year;

(3) To appoint auditors for the ensuing year and to authorize the directors to fix their remuneration; and

(4) To transact such other business as may properly be brought before the meeting.

By order of the Board of Directors

DOROTHY E. BYRNE
Corporate Secretary

Burnaby, British Columbia
February 18, 1992

In order to ensure a quorum, it is important that your shares be represented at this meeting. If you cannot be present to vote in person, please ensure that your proxy or, if a corporation, your representative is appointed and present to vote on your behalf or the corporation's behalf at the meeting. Instructions regarding the appointment of a proxy or representative are included in the proxy information circular accompanying this notice.

(Dated as at February 18, 1992)

PROXY INFORMATION CIRCULAR

This Proxy Information Circular is furnished in connection with the solicitation of proxies on behalf of the Board of Directors of British Columbia Telephone Company (the "Company") for use at an Annual General Meeting (the "Meeting") of shareholders of the Company called for April 16, 1992 at 10:00 a.m. (local time) in the Auditorium, British Columbia Telephone Company, 3777 Kingsway, Burnaby, British Columbia. This Proxy Information Circular and a form of proxy will be mailed to the shareholders on or about March 11, 1992.

Proxies

It is expected that the solicitation of proxies from the shareholders for use at the Meeting will be primarily by mail, but proxies may also be solicited personally by directors or regular employees of the Company. The cost of this solicitation will be borne by the Company.

Each of the persons named in the enclosed form of proxy to represent shareholders at the Meeting is a director and/or officer of the Company. **Each shareholder has the right to appoint some other person to represent him at the Meeting and may exercise this right by inserting such other person's name in the blank space provided in the enclosed form of proxy or by completing another form of proxy. A person so appointed to represent a shareholder at the Meeting need not be a shareholder.**

To be voted at the Meeting, a form of proxy and the power of attorney or other authority, if any, under which it is signed must be deposited at the Company's head office at 3777 Kingsway, Burnaby, British Columbia, V5H 3Z7, not later than 10:00 a.m. (local time) on April 15, 1992.

In the case of a corporate shareholder, a copy of the resolution of its directors, certified by its secretary, authorizing its representative, shall be deposited at the Company's head office not later than 10:00 a.m. (local time) April 15, 1992.

On any ballot that may be called for at the Meeting, all shares, in respect of which the persons named in the enclosed form of proxy have been appointed to act, will be voted or withheld from voting in accordance with the specifications made. **Except when a direction to vote against or to withhold voting is specified, the persons named on the enclosed form of proxy intend to vote for the election as directors of the nominees named herein and for the appointment of the auditors.** If a specification is not made with respect to any matter, the shares will be voted on such matter as stated in this Proxy Information Circular. The form of proxy confers discretionary authority upon the persons appointed with respect to amendments to the matters identified in the notice of the Meeting and with respect to any other matters which may properly come before the Meeting.

The directors of the Company know of no matters to come before the Meeting other than the matters identified in the notice of the Meeting. If any matters which are not now known should properly come before the Meeting, the persons named in the enclosed form of proxy will vote on such matters in accordance with their best judgement.

Revocability of Proxy

A shareholder giving a proxy may revoke it, in addition to any other manner permitted by law, by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and deposited either at the head office of the Company at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the chairman of such Meeting, on the day of the Meeting or adjournment thereof.

Voting Shares and Principal Holders Thereof

On February 18, 1992, the Company had outstanding 109,302,240 ordinary shares without par value, each of which carries the right to one vote. Any holder of ordinary shares as of March 3, 1992, the record date of the Meeting, will be entitled to vote at the Meeting.

Anglo-Canadian Telephone Company ("Anglo-Canadian") is the beneficial owner of 54,929,308 shares, which represents 50.3% of the outstanding ordinary shares of the Company. Anglo-Canadian is a subsidiary of GTE Corporation ("GTE").

The directors and officers of the Company do not have knowledge of any other person or company beneficially owning, directly or indirectly, ordinary shares carrying more than 10% of the voting rights attached to all ordinary shares of the Company.

Remuneration of Directors and Officers

During the last completed financial year of the Company the 14 executive officers of the Company, as a group, received $2,444,375 in the aggregate as cash compensation from the Company.

The Company, in 1986, established a Long-Term Incentive Share Option Plan (the "Plan") which permits it to make available to key employees, options to purchase ordinary shares of the Company over a specified period of time from the date of grant, at a defined market price at the date of the granting of the option. The Plan was amended in 1991, following approval of the regulators and the shareholders to increase the maximum number of ordinary shares that may be issued from .25% to .75% of the issued ordinary shares, to permit immediate vesting of options held by retired employees, to increase the period over which options may be exercised from 5 years up to 10 years, and to permit options to be vested from time to time. On February 20, 1991 the Company granted options to its executive officers to purchase up to 117,000 ordinary shares between February 20, 1992 and February 20, 2001 at a price of $20.00 per share, which options vest as to 50% on February 21, 1992, as to 25% on February 21, 1993 and as to 25% on February 21, 1994. During the last completed financial year, 86,900 ordinary shares of the Company were issued pursuant to options previously granted to executive officers at exercise prices of $14.00, $14.75 and $17.75 per share resulting in an aggregate net value realized on such transactions of $405,450.

The Company, in 1984, established a Supplementary Income Plan for Executive Employees (the "Plan") for executive officers designated by the Compensation Committee of the Board of Directors. The Plan provides for an amount to be paid under the Plan to a retired executive employee to supplement the pension (beyond the amount paid under the other pension plan sponsored by the Company) to a maximum of 70% of the average annual earnings for the three consecutive years of the highest annual earnings of that retired executive employee. This supplement is reduced where service is less than 35 years or where retirement occurs prior to 60 years of age. The Company has expended $483,076 in respect to the Plan in 1991.

Required current service costs to the Company sponsored pension plan for officers of the Company and all management and exempt employees was actuarially determined to be 7.1% of pensionable earnings. This amount was $304,297 in 1991 for executive officers. There was also an undetermined amount which is included in the funding of past service liability, the total of which was actuarially determined for all management and exempt employees of the Company as of December 31, 1990, and which is being amortized over 15 years to 2005. Directors of the Company as such are not entitled to the receipt of pensions. No affiliate contributes any part of the cost of providing for pensions for any officer of the Company.

The Company, together with all of the affiliates of GTE, has directors' and officers' liability insurance. The Company has a total of $125,000,000 of coverage for both directors and officers as a group. The Company, by its By-laws, indemnifies all directors and officers and is liable in respect of the directors and officers for an additional loss retention under the insurance policy of $5,000 for each director or officer, but no more than $50,000 aggregate for each loss. Premium payments totalling $96,922 (U.S.) were made by the Company in 1991 covering the 12-month period from May 19, 1991 to May 19, 1992.

Pursuant to the By-laws of the Company each director received in 1991 a fee of $3,000 per quarter and $800 for each meeting attended.

Election of Directors

The Special Act of Incorporation of the Company provides that the Board of Directors shall consist of not less than three nor more than eleven members, each of whom shall be elected at the Annual General Meeting for a term of one year. The following table sets out the information respecting all persons proposed to be nominated for election as directors, all of whom are now directors of the Company.

None of the persons named below holds any shares of Anglo-Canadian or GTE other than Gordon F. MacFarlane, Kent B. Foster and James L. Johnson who own, respectively, 1,600, 26,684 and 42,219 common shares of GTE. The number of shares beneficially owned, or over which control or direction is exercised, not being within the knowledge of the Company, has been supplied by the individual concerned.

Name and Office Presently Held with the Company	Present Principal Occupation as of February 18, 1992	Date Became Director of Company	Company Shares Beneficially Owned or Controlled	
			Ordinary	Preference or Preferred
Gordon Frederick MacFarlane Chairman (2)	Chairman of the Company	February 10, 1977	10,719	—
Brian Albert Canfield President and Chief Executive Officer (2)	President and Chief Executive Officer of the Company	April 6, 1989	10,258	—
George Neldon (Mel) Cooper, C.M.	President Seacoast Communications Group Inc. (Broadcasting)	March 24, 1988	851	—
Kent Benard Foster (3)	President GTE Telephone Operations Group (Consolidated group of tele-communications companies)	February 15, 1989	2,002	—
Mary Rendina Kathleen Hamilton, Q.C.	Barrister and Solicitor	March 27, 1980	400	10
Gerald Henry Danby Hobbs	Private investor	March 11, 1971	5,000	—
James Lawrence Johnson (3)	Chairman and Chief Executive Officer, GTE Corporation (Comprehensive service corporation)	March 24, 1983	2,002	—
Victor Frederick MacLean (1) (2)	Company director	March 29, 1967	2,500	—
John Wilson Pitts (1) (2)	President and Chief Executive Officer, MacDonald, Dettwiler & Associates Ltd. (Designer/Manufac-turer — high technology)	February 21, 1975	2,000	—
Barbara Joyce Rae (1) (2)	President and Chief Executive Officer, ADIA Canada Ltd. (Office automation and personnel services)	March 21, 1985	1,328	—
William Robert Wyman	Chairman and Chief Executive Officer, British Columbia Hydro and Power Authority (Provincial Crown Corpora-tion — electric utility)	March 20, 1986	3,030	—

NOTE: (1) A member of the Audit Committee.
(2) Also a director of one or more subsidiaries of the Company.
(3) Also a director of a number of subsidiaries of GTE.

The management does not expect that any of the nominees will be unable to serve as a director but, in that event, discretionary authority may be exercised to vote for a substitute.

Interest of Management and Others in Material Transactions

Since the commencement of the Company's last financial year, the Company has had a number of transactions in the ordinary course of its business with GTE, One Stamford Forum, Stamford, Connecticut 06904 and its subsidiaries and affiliates, for the supply of goods and services.

Appointment and Remuneration of Auditors

Arthur Andersen & Co., Chartered Accountants, will be nominated for appointment as auditors of the Company to hold office until the close of the next Annual General Meeting. Such auditors were first appointed on March 14, 1968. The proposed resolution to appoint the auditors will authorize the directors of the Company to determine the remuneration of the auditors.

Annual Information Form

The Company is prepared to provide to any person or company, upon request to the Corporate Secretary of the Company, a copy of the Company's 1992 Annual Information Form filed with the provincial securities commissions in Canada together with a copy of any document incorporated into the Annual Information Form by reference, including the Company's comparative financial statements for the year ended on December 31, 1991 and the Company's Proxy Information Circular in respect of the Annual Meeting to be held on April 16, 1992.

The contents and sending of this proxy information circular were approved by the directors of the Company on February 18, 1992.

DOROTHY E. BYRNE
Corporate Secretary

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